

ADDENDUM TO OFFICIAL STATEMENT DATED SEPTEMBER 11, 2019

LAS CRUCES SCHOOL DISTRICT NO. 2

Doña Ana County, New Mexico

\$12,750,000 - GENERAL OBLIGATION SCHOOL BONDS, SERIES 2019

This Addendum to Official Statement (the “**Addendum**”) supplements the Official Statement dated September 11, 2019 (the “**Official Statement**”) with respect to the above-referenced Bonds. This Addendum constitutes an integral part of the Official Statement and should be read in conjunction with the Official Statement. All capitalized terms not defined herein shall have the meaning set forth in the Official Statement.

The Official Statement should be amended on the cover page to reflect that the CUSIP number associated with 2027 maturity is XA6 rather than XA9.

The date of this Addendum is September 16, 2019

OFFICIAL STATEMENT DATED SEPTEMBER 11, 2019

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

\$12,750,000 - General Obligation School Bonds, Series 2019 (the "Bonds")

NEW ISSUE

Book-Entry-Only

Moody's Rating: Aa3 Underlying/ Aa3 Enhanced

PURPOSES	Proceeds of the Bonds will be used for the purpose of (1) 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 those purposes within the District and (2) paying costs of issuance of 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, 2020. 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 opinion of Modrall Sperling Roehl Harris & Sisk P.A., Bond Counsel, to the effect that interest on the Bonds is excludable from gross income for purposes of federal income tax purposes under existing laws, regulations, published rulings, and court decisions and assuming compliance with certain covenants described herein. See "Legal Matters" and "Tax Matters" herein for a discussion of Bond Counsel's opinions, including a description of certain collateral federal tax consequences. Delivery of the Bonds is also subject to the delivery of an approving opinion of the Attorney General of the State of New Mexico.
DELIVERY	When, as, and if issued, through DTC's facilities, on or about September 26, 2019.
DATED DATE	Date of initial delivery expected to be September 26, 2019
DUE DATE	August 1, as shown on the following page:

Baird

\$12,750,000 - General Obligation School Bonds, Series 2019

Year	Principal	Interest Rate	Yield	Cusip # 517534	Year	Principal	Interest Rate	Yield	Cusip # 517534
2020	\$ 650,000	5.000%	1.230%	WT6	2028	\$ 50,000	2.000%	2.000%	XB4
2021	750,000	5.000%	1.250%	WU3	2029	400,000	2.000%	2.050%	XC2
2022	600,000	5.000%	1.270%	WV1	2030	750,000	2.125%	2.200%	XD0
2023	500,000	5.000%	1.290%	WW9	2031	1,250,000	2.250%	2.300%	XE8
2024	500,000	5.000%	1.310%	WX7	2032	1,250,000	2.375%	2.400%	XF5
2025	500,000	5.000%	1.400%	WY5	2033	1,600,000	3.000%	2.350%	XG3
2026	500,000	5.000%	1.500%	WZ2	2034	1,600,000	3.000%	2.400%	XH1
2027	250,000	5.000%	1.600%	XA6	2035	1,600,000	3.000%	2.450%	XJ7

**** - CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the District, the Financial Advisor nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.**

ISSUER

Las Cruces School District No. 2
Doña Ana County, New Mexico
505 South Main, Suite 249
Las Cruces, New Mexico 88001
(575) 527-5830
(575) 527-5983 - Fax

BOARD OF EDUCATION

President: Ed Frank
Vice-President: Terrie Dallman
Secretary: Maury Castro
Member: Maria A. Flores
Member: Ray Jaramillo

FINANCIAL ADVISOR

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

PAYING AGENT/REGISTRAR

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

DISTRICT ADMINISTRATION

Interim Superintendent: Dr. Karen Trujillo
CFO: Edward Ellison

BOND COUNSEL

Modrall Sperling Roehl Harris & Sisk, P.A.
500 Fourth Street NW, Suite 1000
Albuquerque, New Mexico 87102
(505) 848-1800

PURCHASER

Robert W. Baird & Co. Incorporated
777 E. Wisconsin Avenue
Milwaukee, Wisconsin 53202
(800) 792-2473

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.

Bond Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, 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 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, Suite 249
Las Cruces, NM 88001
Attn: Edward Ellison
(575) 527-5933

Financial Advisor

RBC Capital Markets, LLC
6301 Uptown Blvd. NE, Suite 110
Albuquerque, NM 87110
Attn: Erik Harrigan
(505) 872-5992

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

\$12,750,000 - General Obligation School Bonds, Series 2019 (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 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 those purposes within the District and (2) paying costs of issuance of 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.

Bond Registrar and Paying Agent

BOKF, N.A., Albuquerque, New Mexico, will serve as Registrar and Paying 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, 2028 may be redeemed prior to their scheduled maturities on August 1, 2027, 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

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.

Investments. 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 amended NMSA 1978, Sections 22-18-1 et. seq. in the first session of 2003 by adding Section 22-18-13 which became effective July 1, 2003. Section 22-18-13 was further amended in 2007 and provides that, if a 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 school 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.

Moody's downgraded the New Mexico School District Enhancement Program (Pre and Post-Default) to Aa2 from Aa1, and assigned a negative outlook on November 1, 2016. On June 18, 2018, Moody's further downgraded the enhancement rating from "Aa2" to "Aa3" and assigned a stable outlook.

By request, Moody's will assign a 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 and received a rating of "Aa3" on the Bonds.

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 assessed valuation of taxable property within the District is \$3,436,888,725 for tax year 2018. The preliminary assessed valuation of taxable property within the District for tax year 2019 is \$3,456,985,898. Such valuation is expected to be finalized in October 2019. Therefore, the maximum general obligation debt may not exceed \$200,099,035.

After the Bonds are issued, the ratio of total net outstanding general obligation debt of the District to the 2018 Assessed Valuation will be no greater than 5.26% as summarized:

2018 Assessed Valuation	\$3,436,888,725
2018 Estimated Actual Valuation	11,440,390,038 ⁽¹⁾
Bonded Debt	
Current Outstanding Debt (includes the Bonds)	\$125,715,000 ⁽²⁾
Less Debt Service Fund Balance	<u>(12,538,765) ⁽³⁾</u>
NET DEBT	<u>\$113,176,235</u>
Ratio of Estimated Net Debt to 2018 Assessed Valuation:	5.26%
Ratio of Estimated Net Debt to 2018 Estimated Actual Valuation:	1.58%
Per Capita Net Bonded Debt:	\$935.34
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 6/30/2019 was \$18,197,977.22. The amount properly attributable to principal reduction is 68.9%.

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	Original Issue Amount	Final Maturity	Principal Outstanding
2011	\$ 25,000,000	08/01/2026	\$ 14,925,000
2011A	30,000,000	08/01/2028	20,925,000
2013	10,000,000	08/01/2029	5,825,000
2015A	15,000,000	08/01/2030	10,900,000
2016A	14,660,000	08/01/2033	9,050,000
2016B	2,575,000	08/01/2022	2,575,000
2016C	18,055,000	08/01/2033	16,255,000
2017A	14,550,000	08/01/2033	12,800,000
2017B	10,460,000	08/01/2026	10,460,000
2018	12,250,000	08/01/2034	9,250,000
2019	12,750,000	08/01/2035	12,750,000
Total	\$ 152,550,000		\$ 125,715,000

LEASE-PURCHASE ARRANGEMENTS ⁽¹⁾			
Series	Original Issue Amount	Final Maturity	Principal Outstanding
2010 Lease-Purchase	\$ 18,000,000	08/01/2030	\$ 12,472,828
2013 Lease-Purchase	15,500,000	05/01/2033	12,213,041
2014 Lease-Purchase	5,500,000	11/01/2034	4,637,225
Total	\$ 39,000,000		\$ 29,323,094

(1) Lease-Purchase Arrangements are payable by the ad valorem property taxes levied against taxable property pursuant to the Public School Buildings Act. 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.

Year	Current Requirements			G/O School Bonds, Series 2019				Total Requirements		
	Principal	Interest	Total	Principal	Coupon	Interest	Total	Principal	Interest	Total
2020	\$ 9,590,000	\$ 4,047,944	\$ 13,637,944	\$ 650,000	5.000%	\$ 372,142	\$ 1,022,142	\$ 10,240,000	\$ 4,420,086	\$ 14,660,086
2021	8,825,000	3,724,644	12,549,644	750,000	5.000%	406,750	1,156,750	9,575,000	4,131,394	13,706,394
2022	8,610,000	3,395,581	12,005,581	600,000	5.000%	369,250	969,250	9,210,000	3,764,831	12,974,831
2023	8,395,000	3,076,606	11,471,606	500,000	5.000%	339,250	839,250	8,895,000	3,415,856	12,310,856
2024	8,505,000	2,751,031	11,256,031	500,000	5.000%	314,250	814,250	9,005,000	3,065,281	12,070,281
2025	8,815,000	2,408,475	11,223,475	500,000	5.000%	289,250	789,250	9,315,000	2,697,725	12,012,725
2026	9,200,000	2,055,400	11,255,400	500,000	5.000%	264,250	764,250	9,700,000	2,319,650	12,019,650
2027	9,550,000	1,709,400	11,259,400	250,000	5.000%	239,250	489,250	9,800,000	1,948,650	11,748,650
2028	9,725,000	1,363,150	11,088,150	50,000	2.000%	226,750	276,750	9,775,000	1,589,900	11,364,900
2029	7,530,000	1,022,588	8,552,588	400,000	2.000%	225,750	625,750	7,930,000	1,248,338	9,178,338
2030	7,385,000	778,688	8,163,688	750,000	2.125%	217,750	967,750	8,135,000	996,438	9,131,438
2031	5,185,000	540,888	5,725,888	1,250,000	2.250%	201,813	1,451,813	6,435,000	742,700	7,177,700
2032	5,200,000	369,088	5,569,088	1,250,000	2.375%	173,688	1,423,688	6,450,000	542,775	6,992,775
2033	5,675,000	195,563	5,870,563	1,600,000	3.000%	144,000	1,744,000	7,275,000	339,563	7,614,563
2034	775,000	24,219	799,219	1,600,000	3.000%	96,000	1,696,000	2,375,000	120,219	2,495,219
2035				1,600,000	3.000%	48,000	1,648,000	1,600,000	48,000	1,648,000
Total	\$ 112,965,000	\$ 27,463,263	\$ 140,428,263	\$ 12,750,000		\$ 3,928,142	\$ 16,678,142	\$ 125,715,000	\$ 31,391,405	\$ 157,106,405

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	2018 Assessed Valuation	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico	\$61,126,458,199	\$490,910,000	5.62%	\$27,601,845
Doña Ana County	4,450,597,884	5,620,000	77.22%	4,339,937
Doña Ana Branch CC	4,504,586,600	12,050,000	76.30%	9,193,853
City of Las Cruces	2,365,635,364	13,950,000	100.00%	13,950,000
Town of Mesilla	67,018,587	-	100.00%	-
Las Cruces Schools	3,436,888,725	125,715,000	100.00%	125,715,000
Total Direct & Overlapping Debt				\$180,800,636
Ratio of Estimated Direct & Overlapping Debt to 2018 Assessed Valuation:				5.26%
Ratio of Estimated Direct & Overlapping Debt to 2018 Estimated Actual Valuation:				1.58%
Per Capita Direct & Overlapping Debt:				\$1,494.22

Selected Debt Ratios

2018 Assessed Valuation	\$3,436,888,725
2018 Estimated Actual Valuation	\$11,440,390,038 ⁽¹⁾
District Net Debt as a Percentage of	
Assessed Valuation	3.29%
Estimated Actual Valuation	0.99%
Direct and Overlapping Debt as a % of	
Assessed Valuation	5.26%
Estimated Actual Valuation	1.58%
Estimated Population	121,000
District General Obligation Debt	
Current Outstanding Debt (including the Bonds)	\$125,715,000
District Net General Obligation Debt	\$113,176,235
Estimated Direct & Overlapping G/O Debt	\$180,800,636
District Net Debt Per Capita	\$935.34
Direct & Overlapping Debt Per Capita	\$1,494.22

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

Lease-Purchase Arrangements

Pursuant to NMSA 1978, Sections 22-26A-1, *et seq.*, the District entered into three lease-purchase arrangements in the aggregate amount of \$39 million. The first two transactions were 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 arrangement for \$5.5 million for the purpose of constructing a charter school building for the benefit of a state chartered school. 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 arrangement 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 arrangements are payable from the ad valorem taxes imposed pursuant to the Public School Buildings Act.**

\$18 Million Lease-Purchase Arrangement - 2010 ⁽¹⁾				\$15.5 Million Lease-Purchase Arrangement - 2013 ⁽¹⁾				\$5.5 Million Lease-Purchase Arrangement - 2014 ⁽²⁾				Combined Debt Service	Annual Combined DS
Date	Principal	Interest	Total	Date	Principal	Interest	Total	Date	Principal	Interest	Total	Total	Total
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	3,002,620
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	3,002,620
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	3,002,620
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	3,002,620
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	3,002,620
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	3,002,620
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	3,002,620
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	3,002,620
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	3,002,620
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	3,002,620
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	3,002,620
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	1,541,266
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	1,541,266
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	973,439
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	405,611
\$12,472,828				\$12,213,041				\$4,637,225				\$37,490,398	\$37,490,398

(1) These facilities are the district's two Early College High Schools located on the New Mexico State University campus.

(2) The facility is leased to J. Paul Taylor Academy - a charter school that is currently State supported.

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 2018 Assessed Valuation is \$3,436,888,725. 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 Assessed Valuation, Taxation and Revenue Department, Property Tax Division. The estimated analysis of the preliminary Assessed Valuation for 2019 and the previous five years follows:

	2019*	2018	2017	2016	2015	2014
Assessments						
Value of Land		\$979,317,396	\$956,671,029	\$946,430,505	\$863,944,497	\$851,922,330
Improvements		2,586,386,400	2,505,584,413	2,426,219,319	2,339,907,342	2,266,501,787
Personal Property		79,683,950	80,399,189	73,794,121	72,650,644	72,689,409
Mobile Homes		54,735,062	53,955,979	52,850,807	53,135,712	53,371,736
Livestock		1,011,827	1,350,607	1,903,494	1,440,071	992,096
Assessors Total Taxable Value		\$3,701,134,635	\$3,597,961,217	\$3,501,198,246	\$3,331,078,266	\$3,245,477,358
Less Exemptions						
Head of Family		\$42,882,386	\$43,539,278	\$43,955,521	\$42,878,596	\$43,176,936
Veterans		66,516,803	64,155,507	60,526,468	56,600,765	54,804,626
Other		267,175,432	264,980,759	271,515,660	190,872,210	189,599,069
Total Exemptions		\$376,574,621	\$372,675,544	\$375,997,649	\$290,351,571	\$287,580,631
Assessors Net Taxable Value	\$3,441,286,277	\$3,324,560,014	\$3,225,285,673	\$3,125,200,597	\$3,040,726,695	\$2,957,896,727
Centrally Assessed	105,699,621	112,328,711	109,698,260	110,729,065	125,084,777	119,274,415
Total Assessed Valuation	\$3,546,985,898	\$3,436,888,725	\$3,334,983,933	\$3,235,929,662	\$3,165,811,472	\$3,077,171,142
	2019*	2018	2017	2016	2015	2014
Residential	\$2,628,805,092	\$2,524,027,930	\$2,430,441,059	\$2,354,715,318	\$2,282,983,486	\$2,218,201,438
Non-Residential	918,180,806	912,860,795	904,542,874	881,214,344	882,827,986	858,969,704
Total	\$3,546,985,898	\$3,436,888,725	\$3,334,983,933	\$3,235,929,662	\$3,165,811,472	\$3,077,171,142

Source: Doña Ana County Assessor's Office.

*Preliminary, subject to change. Excludes protested property.

History of Assessed Valuation

Listed below is a 5-year history of assessed valuation for the District with an estimate for 2019. From 2015-2019, the tax base of the District has had an average annual growth of 2.88%.

Tax Year	Residential	% Growth Over Previous Year	Non-Residential	% Growth Over Previous Year	Centrally Assessed	% Growth Over Previous Year	Total AV	% Growth Over Previous Year
2015	\$2,282,983,486	2.92%	\$757,743,209	2.44%	\$125,084,777	4.87%	\$3,165,811,472	2.88%
2016	2,354,715,318	3.14%	770,485,279	1.68%	110,729,065	-11.48%	3,235,929,662	2.21%
2017	2,430,441,059	3.22%	794,844,614	3.16%	109,698,260	-0.93%	3,334,983,933	3.06%
2018	2,524,027,930	3.85%	800,532,084	0.72%	112,328,711	2.40%	3,436,888,725	3.06%
2019*	2,628,805,092	4.15%	812,481,185	1.49%	105,699,621	-5.90%	3,546,985,898	3.20%

*Preliminary, subject to change.

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 2018 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 4.19% of the District's total 2018 assessed valuation.

Name	Business	2018 A.V.	% of AV
El Paso Electric	Electric Utility	\$46,132,330	1.34%
Las Cruces Medical Center	Healthcare	18,196,667	0.53%
Memorial Medical Center	Healthcare	16,789,529	0.49%
BN&SF	Railroad	13,292,400	0.39%
Mesilla Valley Mall	Retail	11,749,599	0.34%
Comcast of New Mexico	Cable Provider	8,833,697	0.26%
Union Pacific	Railroad	8,755,414	0.25%
Copperstone LLC	Real Estate	8,534,986	0.25%
HTA-Regional Medical Center LLC	Healthcare	5,951,490	0.17%
Qwest	Telecommunication	5,604,577	0.16%
		\$143,840,689	4.19%

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 2018 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 Mill Limit for General Purposes

	2018	2017	2016	2015	2014
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Doña Ana County	9.137	9.055	9.043	9.153	9.170
Doña Ana Community College	1.250	1.250	1.250	1.248	1.000
City of Las Cruces	4.776	4.732	4.730	4.806	4.801
Las Cruces Schools	0.340	0.337	0.336	0.340	0.340
Total	\$15.503	\$15.374	\$15.359	\$15.547	\$15.311

Over 20 Mill Limit - Interest, Principal, Judgment, etc.

	2018	2017	2016	2015	2014
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Doña Ana County	0.108	0.108	0.109	0.114	0.085
Doña Ana Community College	0.750	0.350	0.750	0.750	1.000
City of Las Cruces	3.994	1.970	1.969	2.000	2.000
Las Cruces Schools	9.600	9.581	9.584	9.512	9.513
Total	\$15.812	\$13.369	\$13.772	\$13.736	\$13.958

Total Levy

	2018	2017	2016	2015	2014
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Doña Ana County	9.245	9.163	9.152	9.267	9.255
Doña Ana Community College	2.000	1.600	2.000	1.998	2.000
City of Las Cruces	8.770	6.702	6.699	6.806	6.801
Las Cruces Schools	9.940	9.918	9.920	9.852	9.853
Total Residential in City of Las Cruces	\$31.315	\$28.743	\$29.131	\$29.283	\$29.269
Total Non-Residential in City of Las Cruces	\$34.546	\$32.147	\$32.555	\$32.457	\$32.428
Total Residential in Town of Mesilla	\$23.574	\$23.077	\$23.477	\$23.534	\$23.523
Total Non-Residential in Town of Mesilla	\$27.760	\$27.367	\$27.775	\$27.671	\$27.648

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 2014 tax year (2014-15 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.

Tax Year	Operational		Two Mill Levy		HB33 Mill Levy*		Debt Service		Total	Total	
	Res.	Non-Res.	Res.	Non-Res.	Res.	Non-Res.	ETN*	GO Bonds	Debt Service	Res.	Non-Res.
2018	\$0.340	\$0.500	\$2.000	\$2.000	\$2.998	\$3.000	\$0.000	\$4.602	\$4.602	\$9.940	\$10.102
2017	0.337	0.500	2.000	2.000	2.972	3.000	0.000	4.609	4.609	9.918	10.109
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

* 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; or
- 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/Delinquent Collections as a % of Net Levied
2018	18/19	\$136,485,987	\$129,331,545	94.76%	\$129,331,545	94.76%
2017	17/18	126,172,669	120,921,863	95.84%	123,615,932	97.97%
2016	16/17	124,042,961	118,564,408	95.58%	122,874,837	99.06%
2015	15/16	121,366,128	115,940,130	95.53%	120,810,976	99.54%
2014	14/15	117,086,783	112,086,171	95.73%	117,006,351	99.93%

(1) As of June 30 of each year.

(2) As of June 30, 2019.

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.

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 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 40 schools; 24 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 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.

Student enrollment is approximately 24,000 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 Tuesday after the first Monday in November of odd numbered years.

The current District Board Members are:

Ed Frank, President, Term ends 2019
Terrie Dallman, Vice President, Term Ends 2021
Maury Castro, Secretary, Term ends 2019

Maria A. Flores, Member, Term ends 2021
Ray Jaramillo, Member, Term ends 2021

Dr. Karen Trujillo, Interim Superintendent (effective 9/10/2019)

Edward Ellison, 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 (other than the early college high schools located at New Mexico State University), 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, 2018 the replacement value of buildings is \$749,117,422 and contents of \$79,129,282 for a total of \$828,246,704 estimated for insurance purposes.

Enrollment

The District's enrollment decreased 0.12% from 2017-18 to 2018-19. 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:

	2014-15 ⁽¹⁾	2015-16 ⁽²⁾	2016-17 ⁽²⁾	2017-18 ⁽²⁾	2018-19 ⁽²⁾
Elementary	11,699	11,575	11,672	11,446	11,211
Middle	5,415	5,533	5,522	5,486	5,608
High School	7,016	7,013	7,132	7,174	7,259
Total	24,130	24,121	24,326	24,106	24,078
Charter Schools	174	-	-	-	-
Grand Total	24,304	24,121	24,326	24,106	24,078

(1) Includes Las Montañas Charter School Enrollment.

(2) The District no longer has any schools 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 2019. The next accreditation will be in March 2020.

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FINANCES OF THE DISTRICT

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:

Local Revenues - 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 2018, the District received \$1,301,385 from local sources.

Federal Revenues - 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 2018, the District received \$852,483 in federal revenues for its General Fund.

State Revenues - The District's largest source of annual revenue is derived from the State Equalization distribution described below. During fiscal year 2018, the District received \$185,028,536 from state sources. Such payments represented approximately 97.91% of actual fiscal year 2018 General.

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
3. 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:

Year	Program Unit Factor	Program Units	Amount ⁽¹⁾
2018-19	4,159.23	43,992.61	\$182,975,400
2017-18	4,053.55	43,696.30	177,125,137
2016-17	3,979.63	44,363.30	176,549,524
2015-16	4,027.75	44,193.85	178,001,767
2014-15 ⁽²⁾	4,005.75	44,957.96	180,090,364

(1) Actual SEG payments net out revenue through Local and Federal sources

and may not equal amount shown on audited financials.

(2) Includes Las Montañas Charter School SEG.

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 2018, the District received \$812,865 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 2018, the District received \$4,325,035 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, 2018 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2018 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 NET ASSETS - GOVERNMENTAL ACTIVITIES

Assets	2014	2015	2016	2017	2018
Current Assets					
Cash and cash equivalents	\$67,735,150	\$64,123,519	\$65,657,250	\$74,506,658	\$86,179,442
Taxes receivable	10,868,504	9,839,188	16,460,057	10,472,528	9,815,618
Inventory	574,976	660,042	660,683	820,962	686,371
Total Current Assets	\$79,178,630	\$74,622,749	\$82,777,990	\$85,800,148	\$96,681,431
Non current assets					
Capital assets	495,091,235	515,228,866	532,487,274	560,384,076	577,307,429
Bond issuance costs	-	-	-	-	-
Less: accumulated depreciation	(131,779,019)	(143,803,653)	(157,970,730)	(172,403,543)	188,249,951
Total Noncurrent assets	363,312,216	371,425,213	374,516,544	387,980,533	389,057,478
Total Assets	\$ 442,490,846	\$ 446,047,962	\$ 457,294,534	\$ 473,780,681	\$ 485,738,909
Deferred Outflow of Resources					
Deferred outflow of resources related to pensions	-	\$ 20,051,653	\$ 31,015,381	\$ 46,921,936	\$ 173,562,252
Liabilities					
Current Liabilities					
Accounts payable	\$13,702,167	\$14,042,178	\$13,298,658	\$16,468,903	\$14,912,532
Accrued expenses	1,597,651	1,562,680	1,559,065	1,782,891	2,339,368
Accrued compensated absences	892,698	870,512	2,079,889	2,970,132	2,885,765
Deferred revenue	1,913,664	1,937,311	2,090,524	-	-
Due to other funds	393,156	269	-	125	325
Current portion of long-term debt	11,271,759	11,923,591	15,007,532	10,843,138	10,741,973
Total Current Liabilities	\$ 29,771,095	\$ 30,336,541	\$ 34,035,668	\$ 32,065,189	\$ 30,879,963
Noncurrent Liabilities					
General Obligation bonds	\$122,450,307	\$131,206,716	\$133,432,452	\$144,652,397	\$149,041,240
Bond underwriter premiums	1,747,529	1,945,414	2,264,586	-	-
Net pension Liability	-	267,644,295	306,539,866	321,156,680	508,428,946
Net OPEB Liability	-	-	-	-	137,522,681
Accrued compensated absences	347,160	338,533	808,845	-	-
Total Noncurrent liabilities	\$ 124,544,996	\$ 401,134,958	\$ 443,045,749	\$ 465,809,077	\$ 794,992,867
Total Liabilities	\$ 154,316,091	\$ 431,471,499	\$ 477,081,417	\$ 497,874,266	\$ 825,872,830
Deferred Inflow of Resources					
Deferred inflow of resources related to premiums	-	\$ 28,317,091	\$ 7,062,780	\$ 15,750,424	\$ 16,015,067
Net Assets					
Invested in capital assets, net of related debt	\$239,590,150	\$243,294,906	\$243,311,560	\$235,833,743	\$239,520,001
Restricted for:					
Debt service	14,324,626	14,663,673	15,703,612	14,324,236	15,845,548
Capital projects	30,065,306	10,542,184	16,385,704	20,153,573	18,595,038
Other	-	13,540,987	14,928,053	17,892,376	18,031,721
Unrestricted, undesignated	4,194,673	(275,730,725)	(286,163,338)	(281,126,001)	(503,262,773)
Total Net Assets	\$ 288,174,755	\$ 6,311,025	\$ 4,165,591	\$ 7,077,927	\$ (211,270,465)

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the District's FY2018 audited financial statements is provided in Appendix B.

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, 2018 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2018 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 ACTIVITIES - GOVERNMENTAL ACTIVITIES

Expenses:	2014	2015	2016	2017	2018
Instruction:					
Direct Instruction	\$ (111,148,480)	\$ (115,980,434)	\$ (119,235,031)	\$ (117,552,877)	\$ (159,352,534)
Total Instruction	(111,148,480)	(115,980,434)	(119,235,031)	(117,552,877)	(159,352,534)
Support services:					
Student support services	(18,425,275)	(19,348,166)	(18,772,313)	(17,180,199)	(22,413,902)
Instruction support services	(8,506,155)	(8,493,092)	(7,655,332)	(6,236,687)	(8,197,485)
General administration	(2,597,635)	(2,807,048)	(2,272,411)	(1,712,800)	(2,757,357)
School administration	(7,436,329)	(7,542,992)	(6,351,339)	(11,992,486)	(15,345,155)
Other support services	(608,884)	(440,355)	(138,000)	-	-
Central services	(4,694,873)	(4,349,243)	(4,072,058)	(5,446,356)	(7,519,440)
Operation & maintenance of plant	(21,374,784)	(22,197,421)	(23,118,883)	(22,357,888)	(26,560,952)
Pupil Transportation	(1,403,297)	(889,872)	(1,683,526)	(2,195,965)	(1,728,116)
Food services	40,767	298,198	335,130	1,499,386	(227,132)
Community services	(65,793)	(45,816)	(135,652)	(56,986)	(621,968)
Facilities, materials, supplies & other services	(25,397,605)	(28,045,211)	(14,890,530)	(7,361,862)	(5,591,013)
Interest/amortization on long-term debt	(3,297,944)	(3,544,272)	(6,497,647)	(5,440,419)	(6,033,426)
Depreciation	(593,683)	(473,659)	(9,059,704)	(15,191,338)	(16,285,003)
Total governmental activities	<u>(205,509,970)</u>	<u>(213,859,383)</u>	<u>(213,547,296)</u>	<u>(211,226,477)</u>	<u>(272,633,483)</u>
Revenues:					
Taxes					
Property Taxes for operating programs	1,174,912	1,188,724	1,207,885	1,232,071	1,276,009
Property Taxes for debt services	13,830,371	13,921,732	14,199,165	14,925,038	15,394,249
Property taxes for capital projects	15,306,445	15,179,284	15,477,120	15,728,360	16,259,330
Federal and state aid	169,923,611	177,186,544	180,348,430	174,733,903	180,662,016
Interest and investment earnings	72,645	69,263	130,918	299,113	679,098
Miscellaneous	59,089	59,693	49,504	2,492,154	3,369,449
Special item - loss on disposition of fixed assets	(102,248)	(35,925)	(11,080)	-	-
Special item - loss on defeasance on bonds	-	-	-	-	-
Transfers	14,936	-	-	-	-
Subtotal, general revenues	<u>200,279,761</u>	<u>207,569,315</u>	<u>211,401,942</u>	<u>209,410,639</u>	<u>217,640,151</u>
Changes in net assets	(5,260,081)	10,714,159	(2,145,354)	(1,815,838)	(54,993,332)
Net assets, beginning	\$ 293,571,444	\$ 288,174,755	\$ 6,311,025	\$ 4,165,591	\$ 7,077,927
GASB 68 implementation	-	(292,577,889)	-	4,728,174	(163,355,060)
Nets assets, ending	<u>\$ 288,174,755</u>	<u>\$ 6,311,025</u>	<u>\$ 4,165,671</u>	<u>\$ 7,077,927</u>	<u>\$ (211,270,465)</u>

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the District's FY2018 audited financial statements is provided in Appendix B. See "Employee Retirement Plan and Other Post-Employment Benefits" herein.

Balance Sheet – General Fund

Listed below is the Balance Sheet (General Fund only) for fiscal years 2014 through 2018. See financial statements for the fiscal year ending June 30, 2018 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2018 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
ASSETS:					
Cash & Investments	\$11,411,657	\$8,945,493	\$14,633,069	\$16,449,226	\$22,814,466
Taxes receivable	106,418	95,017	383,541	109,285	96,177
Interfund receivable	7,749,661	7,472,858	6,571,380	-	-
Inventory	328,533	306,024	251,350	235,829	248,748
Due from other governments	-	-	-	-	52
Other	-	-	-	19,249	9,666
Due from other funds	2,224	2,781	14,731	6,340,407	5,905,552
Total Assets	<u>\$ 19,598,493</u>	<u>\$ 16,822,173</u>	<u>\$ 21,854,071</u>	<u>\$ 23,153,996</u>	<u>\$ 29,074,661</u>
LIABILITIES AND EQUITY:					
Accounts payable	\$221,521	\$17,241	\$4,418	\$384,728	\$1,279,863
Accrued expenses	10,551,113	11,064,782	10,739,181	10,939,969	11,083,754
Due to other governments	-	224	36	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	75,216	71,004	78,938	-	-
Total Liabilities	<u>\$ 10,847,850</u>	<u>\$ 11,153,251</u>	<u>\$ 10,822,573</u>	<u>\$ 11,324,697</u>	<u>\$ 12,363,617</u>
EQUITY:					
Deferred Inflows of Resources					
Unavailable Revenues	-	-	-	85,603	76,364
Fund balances:					
Nonspendable	\$328,533	\$306,024	\$251,350	\$235,829	\$248,748
Restricted	367,750	1,367,141	-	-	-
Reserved for inventory	-	-	-	9,927,620	10,731,266
Unreserved, undesignated	8,054,360	3,995,757	10,780,148	1,580,247	5,654,666
Total Equity	<u>\$ 8,750,643</u>	<u>\$ 5,668,922</u>	<u>\$ 11,031,498</u>	<u>\$ 11,743,696</u>	<u>\$ 16,634,680</u>
Total Liabilities and Equity	<u>\$ 19,598,493</u>	<u>\$ 16,822,173</u>	<u>\$ 21,854,071</u>	<u>\$ 23,153,996</u>	<u>\$ 29,074,661</u>

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

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the District's FY2018 audited financial statements is provided in Appendix B.

Statement of Revenues and Expenditures – General Fund

Listed below is the Statement of Revenues and Expenditures (General Fund only) for fiscal years 2014 through 2018. See financial statements for the fiscal year ending June 30, 2018 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2018 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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues:					
Local Sources	\$1,174,912	\$1,188,724	\$1,207,885	\$1,229,106	\$1,282,539
State Sources	178,647,221	184,604,801	186,851,177	175,442,109	181,472,142
Federal Sources	-	680,736	-	-	-
Charges for services	31,615	51,490	46,766	66,497	83,910
Earnings from Investments	29,820	24,881	53,385	137,360	295,143
Miscellaneous	<u>950,951</u>	<u>1,120,645</u>	<u>1,802,786</u>	<u>1,758,975</u>	<u>1,162,864</u>
Total Revenues	<u>\$ 180,834,519</u>	<u>\$ 187,671,277</u>	<u>\$ 189,961,999</u>	<u>\$ 178,634,047</u>	<u>\$ 184,296,598</u>
Expenditures:					
Administration					
General administration	\$1,929,149	\$1,840,180	\$1,278,562	\$1,342,642	\$1,956,083
School administration	12,196,377	13,060,716	11,703,922	11,410,807	11,005,571
Direct instruction	113,800,911	118,455,197	114,882,057	113,467,898	113,755,680
Instructional support					
Student support services	16,179,916	16,709,494	15,950,824	16,286,769	16,662,948
Instruction support services	6,735,523	6,801,914	5,974,038	5,916,644	\$6,067,945
Central services	4,372,905	4,903,527	4,823,822	5,210,219	5,444,110
Pupil transportation	8,367,664	6,179,028	5,957,126	2,250,795	1,690,360
Operation/plant maintenance	21,326,987	22,096,744	22,874,579	21,851,025	22,710,869
Non-instructional support	608,884	440,355	138,075	-	2,181
Community services	56,729	38,733	78,167	53,986	29,116
Capital outlay	15,300	-	111,167	128,907	78,908
Other operational	-	-	-	-	-
Food services	<u>353,099</u>	<u>119,559</u>	<u>2,975</u>	<u>2,157</u>	<u>1,843</u>
Total Expenditures	<u>\$ 185,943,444</u>	<u>\$ 190,645,447</u>	<u>\$ 183,775,314</u>	<u>\$ 177,921,849</u>	<u>\$ 179,405,614</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ (5,108,925)</u>	<u>\$ (2,974,170)</u>	<u>\$ 6,186,685</u>	<u>\$ 712,198</u>	<u>\$ 4,890,984</u>
<u>Fund Balance</u>					
Beginning of Year	\$13,942,180	\$8,750,643	\$5,668,922	\$11,031,498	\$11,743,696
Prior Period Adjustment	<u>(82,612)</u>	<u>(107,551)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers out	-	-	(55,315)	-	-
Reclassification	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at Year End	<u>\$ 8,750,643</u>	<u>\$ 5,668,922</u>	<u>\$ 11,031,498</u>	<u>\$ 11,743,696</u>	<u>\$ 16,634,680</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 3,143 permanent employees of which 115 are administrators, 1,662 are teachers and other professional instructional personnel, 412 are instructional assistants, and 954 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 Contributions	Employee Contributions	Net Assets Held in Trust
2014	\$362,462,537	\$268,693,991	\$11,442,171,449
2015	395,129,621	294,560,840	11,642,543,051
2016	396,988,557	295,946,396	11,755,860,387
2017	395,843,795	292,809,008	12,509,355,910
2018	388,723,983	287,323,804	12,970,300,855

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 contribute 10.7% of their gross salary.

Employer Contributions

The District contributed 13.90% of gross covered salary in fiscal year's 2017 and 2018. The rate will increase to 14.15% for FY20.

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, 2019 were \$19,041,112.

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 *Bartlett 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.

Recent Legislative Changes

Recent legislative changes enacted during the 2012, 2013 and 2019 legislative sessions also amended various provisions of the ERA. House Bill 360 below is the most recent legislative action.

House Bill 360 ("HB-360") amends the ERA to increase employer contributions to the educational retirement fund; increase the salary level employees would be required to reach before paying a higher contribution rate; increase the age or years of service requirements for new members to be eligible for retirement and reduce retirement benefits for new employees who work for less than 30 years; make changes to the return-to-work program; require most retirees from the Public Employees Retirement Association (PERA) to make contributions to the educational retirement fund if they become employed by an ERA-covered employer; change the salary calculation for determining retirement benefits for employees that receive a salary increase of more than 30 percent, and require substitute teachers to become members of the Educational Retirement Board (ERB) if they are employed at least one quarter time (0.25 FTE) increase employer contributions .

The law amends ERA to provide for employer contribution of 14.15 percent of annual salary, rather than 14.4 percent of annual salary, eliminate contribution increases in FY21 and FY22, require that a retired employee working 0.25 FTE or less make nonrefundable contributions to the educational retirement fund, and delayed the date for which substitute teachers with a FTE of more than 0.25 FTE would be required to become a member of the Educational Retirement Board (ERB) to July 1, 2020. House Bill 2 also approved by the legislature in 2019 included an increases to the state equalization guarantee for FY 2020 to increase employer contributions to ERB to offset the impact of HB 360

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 District contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$2,738,726, \$2,616,112 and \$2,605,543, respectively, which equal the required contributions for each year.

TAX MATTERS

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on the Bonds (a) is excludable from the gross income of the recipients thereof for federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended, (b) is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended, for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that the Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof.

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

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

The opinions to be rendered by Bond Counsel will be based upon existing legislation as of the date of issuance and delivery of the Bonds, and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation. From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

ORIGINAL ISSUE PREMIUM

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

ORIGINAL ISSUE DISCOUNT

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

INTERNAL REVENUE SERVICE AUDIT PROGRAM

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Legal Matters

Two lawsuits have been filed challenging the funding of the State's primary and secondary education system. In March 2014, individual plaintiffs in New Mexico District Court in McKinley County brought suit against the State, among others, alleging, among other things, that the State's educational funding formula violates the sufficiency of education and uniform system of public schools provision of the New Mexico Constitution and asks the court for injunctive relief ordering the State to develop a budget and funding formula that sufficiently, uniformly and equitably funds the public school system. In April 2014, individual plaintiffs in New Mexico District Court in Santa Fe County brought suit against the State, among others, alleging, among other things, that the State has failed to provide a sufficient and uniform system of education in violation of the sufficiency, uniformity, equal protection and due process provisions of the New Mexico Constitution because of an inadequate and arbitrary funding system.

The two lawsuits were consolidated in 2015. The lawsuits asked for a declaratory judgment and injunctive relief requiring the adoption of a school finance system to remedy these violations. Neither lawsuit asked for a specific award of damages. The consolidated cases were tried in 2017. On July 20, 2018 the District Court entered its Decision which concluded that the State has failed to provide educational funding sufficient to meet its obligations under Article XII, §1 of the New Mexico Constitution, the state Constitution's Equal Protection Clause and its Due Process Clause with respect to "at risk" students. The District Court entered a Declaratory Judgment as to the

Constitutional violations and an Injunction directing the state to take immediate steps, prior to April 15, 2019, to provide sufficient resources to “at risk” students. In response, during the 2019 Regular Session, the Legislature increase public school funding by approximately \$400 million. The court has not indicated whether this will be sufficient to satisfy the requirements of the Judgment. The Decision is expected to continue to affect future funding for all school age students. It is premature to assess what ongoing effect these lawsuits may have on the State’s school financing system, or the District.

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 2020.

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; (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 status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule,

other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

The purposes of the event identified as "12)" in the immediately preceding paragraph, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officer in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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, Inc. ("Moody's") has assigned a rating of "Aa3" without regard to any enhancement program. Moody's also assigned an enhanced rating of "Aa3" on the Bonds based on the New Mexico School District Enhancement Program. See "New Mexico School District Enhancement Program". These ratings reflect only the views of such rating agencies, and an explanation of the significance of the ratings may be obtained only from each rating agency. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised downward, upward 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 an effect on the market price of the Bonds and/or Notes.

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 sale 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 opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, approving the legality of the Bonds and relating to the tax-exempt status of the Bonds will be furnished to the successful bidder at no cost to the successful bidder. A form of the opinion of Bond Counsel is attached hereto as Appendix D.

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.

On April 1, 2019, Baird Financial Corporation, the parent company of Baird, acquired HL Financial Services, LLC, its subsidiaries, affiliates and assigns (collectively "Hilliard Lyons"). As a result of such common control, Baird, Hilliard Lyons and Hilliard Lyons Trust Company are now affiliated. It is expected that Hilliard Lyons will merge with and into Baird later in 2019

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.

/s/

Ed Frank, President, Board of Education

/s/

Maury Castro, 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, which accounted for over 17,667 jobs in September 2017. The remaining non-agricultural jobs are in manufacturing (2,387), wholesale/retail trade (8,571), natural resources, mining and construction (3,570), transportation/warehousing/utilities (2,062), information (593), finance (1,718) and all other services (35,015).

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 the following: 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), Frontier Airlines (Reservation Center), REA Magnet Wire (Wire Processing), Multi-Plastics (Component Parts), Taylor Metro (Scales & Measurement), Calculux (Electronics), Smart Corp (Computerized & Home Systems), Aldershot (Wholesale Nursery), Foamex, Inc. (Packaging), Young Pecan (Food Processing), and Las Cruces Machine (Machine Parts).

Tourism

The tourism industry has an impact on the Las Cruces economy with over 7,700 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 is located in nearby Alamogordo. 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 2017 enrollment of 24,580 students (including four branch campuses). Main campus Fall 2018 enrollment was 14,432. Twenty-eight doctoral programs, 58 master's degree programs, and 90 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 3,500 acres and consists of more than 200 academic, research, and auxiliary buildings, and over 400 housing buildings. The University employs approximately 4,000 area residents, not including student employees. 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. 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 situated at the University studies the State's water supply and demands, conservation and use, as well as ecological and other aspects thereof.

Agriculture

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

Transportation

Historically a crossroads of the Southwest, Las Cruces is serviced by Interstate Highways I-10 (east-west) and I-25 (north-south). Five major U.S. highways and seven State highways also serve the City. 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 services are available at the City's 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.

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, Doña Ana County, and the State of New Mexico.

Year	City of Las Cruces	Doña Ana County	State of New Mexico
1960	29,367	59,948	951,023
1970	37,857	69,773	1,017,055
1980	45,086	96,340	1,303,143
1990	62,648	136,523	1,519,933
2000	74,267	175,524	1,821,078
2010	97,618	218,523	2,112,957
2018	102,926	217,522	2,081,015
2019 ⁽¹⁾	104,353	216,838	2,087,058
2024 ⁽²⁾	107,221	220,861	2,110,892
Projected Growth 2019-2024 ⁽²⁾	2.75%	1.86%	1.14%

*Estimates. Source: U.S. Census Bureau: State and County QuickFacts.

1) Estimates. Source: Spotlight, 2019.

2) Projected. Source: Spotlight, 2019.

Age Distribution

The following table sets forth a comparative age distribution profile for the Las Cruces MSA, the State of New Mexico and the United States as of July 2019.

Percent of Population			
Age Group	Las Cruces MSA	New Mexico	United States
0 - 17	25.10%	23.90%	22.80%
18 - 24	13.86%	9.80%	9.80%
25 - 34	13.22%	13.30%	13.40%
35 - 44	10.91%	11.87%	12.60%
45 - 54	10.24%	11.90%	13.10%
55 and Older	26.67%	29.23%	28.30%

Source: Spotlight, July 2019.

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 Spotlight. 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.

Effective Buying Income Group	Las Cruces MSA	New Mexico	United States
Under \$25,000	31.51%	26.42%	20.37%
\$25,000 - \$34,999	11.57%	10.23%	9.21%
\$35,000 - \$49,999	14.78%	13.64%	12.87%
\$50,000 - \$74,999	15.78%	17.13%	17.09%
\$75,000 and over	26.36%	32.5800%	40.46%
2015 Est. Median Household Income	\$37,471	\$45,633	\$53,706
2016 Est. Median Household Income	\$40,884	\$45,445	\$55,551
2017 Est. Median Household Income	\$39,347	\$47,043	\$57,462
2018 Est. Median Household Income	\$41,849	\$48,044	\$60,133
2019 Est. Median Household Income	\$41,579	\$49,654	\$60,336

Source: Spotlight, July 2019.

Gross Receipts

The following table shows the retail gross receipts and total reported gross receipts generated in the City of Las Cruces and the State of New Mexico for the past five 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.

FYE 6/30	City of Las Cruces		State of New Mexico	
	Retail Trade	Total	Retail Trade	Total
2017	\$1,417,486,242	\$4,916,286,594	\$22,390,695,699	\$92,903,538,258
2016	1,490,765,115	5,335,023,100	24,506,857,479	107,507,232,815
2015	1,666,269,610	5,848,494,815	27,481,308,742	119,726,977,705
2014	1,434,463,630	5,123,830,072	24,395,913,091	107,584,699,939
2013	1,409,255,431	5,227,868,451	23,873,876,703	106,300,014,072

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.

Labor Force and Percent Unemployed					
Year ⁽¹⁾	Las Cruces MSA		State of New Mexico		United States
	Force	Unemployed	Force	Unemployed	Unemployed
2019 ⁽²⁾	98,796	6.30%	970,597	5.50%	4.10%
2018	96,796	5.20%	940,359	4.90%	3.90%
2017	93,805	6.90%	929,567	6.20%	4.40%
2016	94,788	7.20%	928,732	6.70%	4.90%
2015	93,919	7.30%	927,999	6.50%	5.30%
2014	93,976	7.30%	927,142	6.70%	6.20%
2013	93,721	7.50%	923,899	6.90%	7.40%
2012	93,767	7.30%	927,795	7.10%	8.10%
2011	93,392	7.60%	930,356	7.50%	8.90%
2010	93,597	7.80%	936,088	8.10%	9.60%

1) - Numbers are annual averages.

2) - Data for the month of June 2019. Numbers are Preliminary

Source: U.S. Bureau of Labor Statistics, June 2019

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

	2014	2015	2016	2017	2018 ⁽¹⁾
Grand Total	70,732	70,746	71,700	71,077	73,768
Total Private	52,866	53,050	54,000	53,821	55,878
Accommodation and Food Services	6,772	6,903	7,246	7,269	7,321
Administrative and Waste Services	3,439	3,022	2,952	2,837	4,669
Agriculture, Forestry, Fishing & Hunting	3,518	3,382	3,272	3,256	2,904
Arts, Entertainment, and Recreation	886	921	932	933	928
Construction	3,449	3,517	3,668	3,632	3,593
Educational Services	547	564	562	680	694
Finance and Insurance	1,764	1,774	1,761	1,725	1,685
Health Care and Social Assistance	12,686	13,350	14,061	14,212	14,567
Information	888	840	683	617	678
Management of Companies and Enterprises	39	41	47	45	43
Manufacturing	2,488	2,266	2,363	2,357	2,498
Mining	16	17	25	35	41
Other Services, Ex. Public Admin	1,317	1,202	1,233	1,194	1,218
Professional and Technical Services	3,741	3,822	3,768	3,560	3,408
Real Estate and Rental and Leasing	762	789	774	778	779
Retail Trade	7,657	7,579	7,522	7,496	7,542
Transportation and Warehousing	1,326	1,424	1,514	1,603	1,723
Utilities	400	420	427	421	406
Wholesale Trade	1,170	1,220	1,235	1,169	1,180
Total Government	17,866	17,695	17,700	17,256	17,890

(1) Data as of Fourth Quarter of 2018.

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.

2019 Major Employers of Dona Ana County	
1,000 - 4,999 Employees	
	City of Las Cruces
	Gadsden ISD
	Las Cruces ISD
	Memorial Medial Center
	New Mexico State University
	Walmart
	White Sands Missile Range
500-999 Employees	
	Coordinated Home Health
	NewTec
	Doña Ana Branch Community College
	Doña Ana County
	Mountain View Regional Medical Center
	Sunland Park Racetrack/Casino
	Trax International
	Peak Behavioral Health Svc Inc
	Physical Science Lab

Source: Mesilla Valley Economic Development Authority, August 2019

APPENDIX B

JUNE 30, 2018
AUDITED FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
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LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
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**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
OFFICIAL ROSTER
JUNE 30, 2018**

Board of Education

Ed Frank	President
Terrie Dallman	Vice President
Ray Jaramillo	Secretary
Maria Flores	Member
Maury Castro	Member

School Officials

Dr. Gregory Ewing	Superintendent
Ed Ellison	Chief Financial Officer
Melissa Zuniga	Controller

INDEPENDENT AUDITORS' REPORT

Board of Education
State of New Mexico
Las Cruces Public School District No. 2 and
Mr. Wayne Johnson, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and each major special revenue fund and the aggregate remaining fund information of the Las Cruces Public School District No. 2 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2018 and the budgetary comparisons for the general fund and each major special revenue fund and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During fiscal year ended June 30, 2018, the District adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (See Note 15). Our auditors' opinion was not modified with respect to the restatement.

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 5 through 11, the Schedules of Proportionate Share of the Net Pension Liability/Contributions starting on page 59, and the Schedules of Proportionate Share of the Net OPEB Liability/Contributions starting on page 60 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 financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules required by 2.2.2.NMAC are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC 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

Board of Education
State of New Mexico
Las Cruces Public School District No. 2 and
Mr. Wayne Johnson, New Mexico State Auditor

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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 15, 2018

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Introduction

The discussion and analysis of Las Cruces Public School District's (District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the 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.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- The net position of the governmental activities decreased for the fiscal year ended June 30, 2018 by \$218.3 million or 3,085% (Table A-1). There were two primary factors that contributed to this decrease.
 - The district is required by GASB standards to include, in the government wide financial statements, a proportionate share of the New Mexico Educational Employee's Retirement Plan (ERB) net pension liability. A change in actuarial assumptions was a factor in the increase of net pension liability by \$187.3 million or 58%. In addition, Deferred Outflows of Resources related to the net pension liability increased by \$126.6 million or 270%, and Deferred Inflows of Resources related to the net pension liability increased by \$264 thousand or 1.7% (see note 10).
 - GASB Statement no. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented for the fiscal year ended June 30, 2018. This GASB standard requires the district to include, in the government wide financial statements, a proportionate share of the New Mexico Retiree Health Care Authority (RHCA) liability. The effect of the implementation can be seen on the Statement of Net Position as Net OPEB Liability of \$137.5 million, Deferred Outflows of Resources related to the net OPEB liability of \$2.3 million and Deferred Inflows of Resources related to net OPEB liability of \$31.3 million. The implementation also caused a restatement of the beginning Net Position, which resulted in a decrease of \$163.4 million or 2,308% in the Net Position as of June 30, 2017 (see Note 11).
- Current and Other Assets increased from the prior year by \$10.9 million or 13% (Table A-1). The Operational fund cash balance increased by \$6.4 million or 38.7%. This was due in part to increases in the SEG unit value in March 2018 and June 2018. Other factors include an increase in the final June 30, 2017 cash balance of \$1.9 million and cost reduction efforts implemented during the last half of fiscal year 2018. The cash balance in the Bond Building fund increased by \$4.3 million or 65%. This is primarily due to delays in construction projects that were anticipated to be completed in fiscal year 2018 but were extended into fiscal year 2019.
- The district had \$320 million in expenses related to governmental activities; \$47.4 million of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily consisting of state equalization guarantee, property taxes, and grants and entitlements) of \$217.6 million were adequate to provide for these programs.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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 the 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 District, presenting both an aggregate view of the 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 District's most significant funds with all other non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund.

Reporting the District as a Whole

Statement of Net Position and Statements of Activities

While this report contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" 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 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 District has improved or diminished for the 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 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 District has one kind of activity:

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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

**Table A-1
The District's Net Position**

	FY 2018	FY 2017	Amount Change	Total % Change
Assets:				
Current and Other Assets	\$ 96,681,431	\$ 85,800,148	\$ 10,881,283	13%
Capital and Non-Current Assets	389,057,478	387,980,533	1,076,945	0%
Total Assets	485,738,909	473,780,681	11,958,228	3%
Deferred Outflows of Resources	176,178,358	46,921,936	129,256,422	275%
Total Assets and Deferred Outflows of Resources	<u>\$ 661,917,267</u>	<u>\$ 520,702,617</u>	<u>\$ 141,214,650</u>	27%
Liabilities:				
Current Liabilities	\$ 30,879,963	\$ 32,065,189	\$ (1,185,226)	-4%
Long-Term Liabilities	794,992,867	465,809,077	329,183,790	71%
Total Liabilities	825,872,830	497,874,266	327,998,564	66%
Deferred Inflows of Resources	47,314,902	15,750,424	31,564,478	200%
Net Position:				
Net Investment in Capital Assets	239,520,001	235,833,743	3,686,258	2%
Restricted	52,472,307	52,370,185	102,122	0%
Unrestricted	(503,262,773)	(281,126,001)	(222,136,772)	79%
Total Net Position	<u>(211,270,465)</u>	<u>7,077,927</u>	<u>(218,348,392)</u>	-3085%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 661,917,267</u>	<u>\$ 520,702,617</u>	<u>\$ 141,214,650</u>	27%

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

**Table A-2
Changes in the District's Net Position**

	FY 2018	FY 2017	Amount Change	Total % Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 3,872,934	\$ 3,886,240	\$ (13,306)	0%
Capital Grants and Contributions	249,182	2,165,542	(1,916,360)	-88%
Operating Grants and Contributions	43,288,262	46,040,113	(2,751,851)	-6%
Total Program Revenues	47,410,378	52,091,895	(4,681,517)	-9%
General Revenues:				
State Equalization Guarantee	180,662,016	174,733,903	5,928,113	3%
Property Taxes	32,929,588	31,885,469	1,044,119	3%
Unrestricted Investment Earnings	679,098	299,113	379,985	127%
Miscellaneous	3,369,449	2,492,154	877,295	35%
Total General Revenues	217,640,151	209,410,639	8,229,512	4%
Total Revenues	265,050,529	261,502,534	3,547,995	1%
Expenses:				
Instruction	173,749,296	136,984,895	36,764,401	27%
Support Services	62,500,758	49,115,944	13,384,814	27%
Central Services	7,545,472	5,446,356	2,099,116	39%
Operation and Maintenance of Plant	26,694,319	22,366,085	4,328,234	19%
Student Transportation	6,368,519	6,116,207	252,312	4%
Food Services Operations	14,323,055	12,904,972	1,418,083	11%
Community Services Operations	648,119	68,152	579,967	851%
Facilities, Materials, Supplies and Other Services	5,895,894	9,684,004	(3,788,110)	-39%
Interest on Long-Term Debt	6,033,426	5,440,419	593,007	11%
Unallocated Depreciation	16,285,003	15,191,338	1,093,665	7%
Total Expenses	320,043,861	263,318,372	56,725,489	22%
CHANGE IN NET POSITION	(54,993,332)	(1,815,838)	(53,177,494)	2929%
Net Position - Beginning of Year	7,077,927	4,165,591	2,912,336	70%
Restatement	(163,355,060)	4,728,174	(168,083,234)	-3555%
Net Position - Beginning of Year, As Restated	(156,277,133)	8,893,765	(165,170,898)	-1857%
NET POSITION - END OF YEAR	<u>\$ (211,270,465)</u>	<u>\$ 7,077,927</u>	<u>\$ (218,348,392)</u>	-3085%

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the 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 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 Table 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 apparent throughout the statements. Eighty percent (80%) of the instructional activities are supported through general revenues.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$280.4 million and expenditures and other financing uses of \$267.8 million. The net change in fund balance for the year was an increase of \$12.6 million.

General Fund Budgeting Highlights

The 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 2018 fiscal year, the District amended its General Fund budget as necessary. The 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 budgeted expenditures of \$194.9 million. Actual expenditures were \$178.4 million. The difference between budget and actual expenditures was primarily due to savings in salaries, benefits, and utility costs. Although, savings were experienced throughout the budget.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Actual revenues for the general fund were \$183.4 million, with revenues from state sources constituting 99% of this total. Actual revenues exceeded actual expenditures by \$4.9 million.

Significant Variations Between Original and Final Budgets

	Original	Final	Change	% Change
General Fund:				
Revenue	\$ 180,271,429	\$ 183,034,435	\$ (2,763,006)	(1.5)%
Expenditures	190,239,049	194,924,099	(4,685,050)	(2.4)%

Budgeted revenue increased by \$2.7 million or 1.53% from the original to final budget. This increase is due primarily to an increase in State Equalization Guarantee (SEG) funding from the State of New Mexico during fiscal year 2018. The District is required by state law to have a balanced budget. The difference between the final budget Revenue and Expenditures of \$11.8 million is the final cash balance at June 30, 2017. \$7 million was budgeted as emergency reserve, 1.5 million was budgeted as furlough restoration leave reserve and \$3.3 million was used for operational expenditures.

Capital Assets and Debt Administration

Capital Assets

During the 2018 fiscal year, the District had a net change of \$1.1 million. The total additions consisted primarily of construction and renovation projects across the District. At the end of fiscal year 2018, the District had \$568.8 million invested in depreciable assets, with accumulated depreciation of \$188.3 million, \$6.8 million in land and \$1.7 million in construction in progress (see note 6). A following is a summary of the District's capital assets, net of depreciation, at June 30, 2018 and 2017.

	Balance, June 30, 2017	Additions	Deletions & Transfers	Balance June 30, 2018
Capital Assets Not Being Depreciated	\$ 32,538,140	\$ 16,432,638	\$ (40,456,047)	\$ 8,514,731
Land Improvements	30,171,546	645,845	-	30,817,391
Buildings and Building Improvements	471,256,382	39,828,769	(29,195)	511,055,956
Equipment and Vehicles	26,418,008	1,418,047	(916,704)	26,919,351
Less Accumulated Depreciation	(172,403,543)	(16,755,970)	909,562	(188,249,951)
Capital Assets, Net	<u>\$ 387,980,533</u>	<u>\$ 41,569,329</u>	<u>\$ (40,492,384)</u>	<u>\$ 389,057,478</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

Debt

At June 30, 2018, the District had outstanding bonds payable of \$123.2 million and capital lease obligation of \$32 million, for total indebtedness of \$155.2 million. A summary of long-term debt at June 30, 2018 and 2017 is presented below.

	Balance, June 30, 2017	Additions	Deletions	Balance June 30, 2018
Bonds Payable	\$ 117,840,000	\$ 25,010,000	\$ (19,665,000)	\$ 123,185,000
Capital Lease	33,647,452	-	(1,678,139)	31,969,313
Compensated Absences	2,970,132	1,307,915	(1,392,282)	2,885,765
Total Long-Term Debt	<u>\$ 154,457,584</u>	<u>\$ 26,317,915</u>	<u>\$ (22,735,421)</u>	<u>\$ 158,040,078</u>

The District is bonded to 74.9% of the legal limit of \$207.3 million. In February 2018, the voters approved the issuance of \$50 million in bonds. The bonds are to be sold in blocks over a four-year period. See the following table for schedule of issuance:

Date of Sale	Amount Sold or to be Sold
September 2018	\$12.25 million
September 2019	\$12.75 million
September 2020	\$12.50 million
September 2021	\$12.50 million

Factors Impacting Future Periods

Las Cruces Public Schools sold the initial authorized block of the 2018 bond election in September 2018 (see Note 15). The proceeds will be utilized for safety and security projects across the district, as well as other significant improvements at school sites across the district

Significant construction deficiencies were discovered at Columbia Elementary School causing water to penetrate the exterior wall of the building. The students and staff have been relocated to an underutilized building at Centennial High School. The building will require major repairs before it can be utilized. The site will also require major improvements for flood control.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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 District's finances and to reflect the 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:

Dr. Gregory Ewing
Superintendent
Las Cruces Public Schools
505 South Main, Suite 249
Las Cruces, NM 88001
gewing@lcps.net
(575) 527-5805

Edward G. Ellison, CPA
Chief Financial Officer
Las Cruces Public Schools
505 South Main, Suite 249
Las Cruces, NM 88001
eellison@lcps.net
(575) 527-5933

Melissa Zuniga
Controller
Las Cruces Public Schools
505 South Main, Suite 249
Las Cruces, NM 88001
mzuniga@lcps.net
(575) 527-5839

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and Cash Equivalents	\$ 59,138,475
Investments	27,040,967
Receivables, Net	9,815,618
Inventory	686,371
Total Current Assets	<u>96,681,431</u>
 Noncurrent Assets:	
Capital Assets:	
Construction in Progress	1,695,025
Art	20,700
Land	6,799,006
Land Improvements	30,817,391
Building and Building Improvements	511,055,956
Equipment and Vehicles	26,919,351
	<u>577,307,429</u>
 Less: Accumulated Depreciation	<u>188,249,951</u>
Total Noncurrent Assets	<u>389,057,478</u>
 Total Assets	485,738,909
 Deferred Outflows of Resources Related to the Net Pension Liability	173,562,252
Deferred Outflows of Resources Related to the Net OPEB Liability	<u>2,616,106</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u><u>\$ 661,917,267</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2018**

	<u>Governmental Activities</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities:	
Accounts Payable	\$ 2,300,398
Due to Government	325
Accrued Liabilities	12,612,134
Current Portion of Accrued Compensated Absences	2,885,765
Accrued Interest	2,339,368
Current Portion of Capital Lease Obligation	1,746,473
Current Portion of Bonds Payable	8,995,500
Total Liabilities	<u>30,879,963</u>
Noncurrent Liabilities:	
Net Pension Liability	508,428,946
Net OPEB Liability	137,522,681
Capital Lease Obligation Due in More than One Year	30,222,840
Bonds Due in More than One Year, Net of Premiums	118,818,400
Total Noncurrent Liabilities	<u>794,992,867</u>
Total Liabilities	825,872,830
Deferred Inflows of Resources Related to the Net Pension Liability	16,015,064
Deferred Inflows of Resources Related to the Net OPEB Liability	31,299,838
Net Investment in:	
Capital Assets	239,520,001
Restricted for:	
Debt Service	15,845,548
Capital Projects	18,595,038
Other	18,031,721
Unrestricted (Deficit)	<u>(503,262,773)</u>
Total Net Position	<u>(211,270,465)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 661,917,267</u></u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenue			Net Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) and Changes in Net Position
PRIMARY GOVERNMENT					
Governmental Activities:					
Instruction	\$ 173,749,296	\$ 2,096,391	\$ 12,300,371	\$ -	\$ (159,352,534)
Support Services:					
Students	31,381,105	-	8,967,203	-	(22,413,902)
Instruction	11,886,059	-	3,688,574	-	(8,197,485)
General Administration	3,485,794	-	728,437	-	(2,757,357)
School Administration	15,747,800	-	402,645	-	(15,345,155)
Central Services	7,545,472	-	26,032	-	(7,519,440)
Operation and Maintenance of Plant	26,694,319	-	133,367	-	(26,560,952)
Student Transportation	6,368,519	-	4,640,403	-	(1,728,116)
Food Services Operations	14,323,055	1,776,543	12,319,380	-	(227,132)
Community Services Operations	648,119	-	26,151	-	(621,968)
Facilities, Materials, Supplies, and Other Services	5,895,894	-	55,699	249,182	(5,591,013)
Interest on long-term debt	6,033,426	-	-	-	(6,033,426)
Unallocated Depreciation	16,285,003	-	-	-	(16,285,003)
 Total Governmental Activities	 <u>\$ 320,043,861</u>	 <u>\$ 3,872,934</u>	 <u>\$ 43,288,262</u>	 <u>\$ 249,182</u>	 (272,633,483)
General Revenues:					
Property Taxes:					
Levied for General Purposes					1,276,009
Levied for Debt Services					15,394,249
Levied for Capital Projects					16,259,330
State Equalization Guarantee Revenue					180,662,016
Unrestricted Investment Earnings					679,098
Miscellaneous					3,369,449
Total General Revenues					<u>217,640,151</u>
 CHANGE IN NET POSITION					 (54,993,332)
Net Position - Beginning of Year - As Previously Reported					7,077,927
Restatement					(163,355,060)
Net Position - Beginning of Year, As Restated					<u>(156,277,133)</u>
 NET POSITION - END OF YEAR					 <u>\$ (211,270,465)</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Major Funds									
	11000	13000	14000	24101	24106	31100/31101	31600 Capital Improvements HB-33	41000	Other Governmental Funds	Total Governmental Funds
	General Fund	Pupil Transportation	Instructional Materials	Title I IASA	Entitlement IDEA-B	Bond Building		Debt Service		
ASSETS										
Cash and Cash Equivalents	\$ 12,814,466	\$ -	\$ 218,543	\$ -	\$ -	\$ 10,925,867	\$ 12,379,155	\$ 26,826	\$ 22,773,618	\$ 59,138,475
Investments	10,000,000	-	-	-	-	-	-	17,016,148	24,819	27,040,967
Accounts Receivable:										
Taxes	96,177	-	-	-	-	-	731,082	1,123,214	489,703	2,440,176
Due from Other Governments	52	-	-	2,071,958	2,085,703	-	-	-	3,188,959	7,346,672
Due from Other Funds	5,905,552	-	-	-	-	-	-	-	-	5,905,552
Other	9,666	-	-	-	-	-	-	18,728	376	28,770
Inventory	248,748	-	-	-	-	-	-	-	437,623	686,371
Total Assets	\$ 29,074,661	\$ -	\$ 218,543	\$ 2,071,958	\$ 2,085,703	\$ 10,925,867	\$ 13,110,237	\$ 18,184,916	\$ 26,915,098	\$ 102,586,983
LIABILITIES										
Accounts Payable	\$ 1,279,863	\$ -	\$ -	\$ 1,988	\$ 140,043	\$ 234,333	\$ 150,067	\$ -	\$ 494,104	\$ 2,300,398
Due to Government	-	-	-	-	-	-	-	-	325	325
Accrued Expenses	11,083,754	-	-	298,216	315,509	-	-	-	914,655	12,612,134
Due to Other Funds	-	-	-	1,771,754	1,630,151	-	-	-	2,503,647	5,905,552
Total Liabilities	12,363,617	-	-	2,071,958	2,085,703	234,333	150,067	-	3,912,731	20,818,409
DEFERRED INFLOWS OF RESOURCES										
Unavailable Revenues	76,364	-	-	-	-	-	580,334	891,027	388,657	1,936,382
FUND BALANCES										
Nonspendable	248,748	-	-	-	-	-	-	-	437,623	686,371
Restricted by Grantor	-	-	218,543	-	-	-	-	-	17,375,674	17,594,217
Restricted for Debt Service	-	-	-	-	-	-	-	17,293,889	-	17,293,889
Restricted for Capital Projects	-	-	-	-	-	10,691,534	12,379,836	-	4,800,413	27,871,783
Assigned	10,731,266	-	-	-	-	-	-	-	-	10,731,266
Unassigned	5,654,666	-	-	-	-	-	-	-	-	5,654,666
Total Fund Balances	16,634,680	-	218,543	-	-	10,691,534	12,379,836	17,293,889	22,613,710	79,832,192
Total Liabilities and Fund Balances	\$ 29,074,661	\$ -	\$ 218,543	\$ 2,071,958	\$ 2,085,703	\$ 10,925,867	\$ 13,110,237	\$ 18,184,916	\$ 26,915,098	\$ 102,586,983

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 79,832,192
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
The Cost of Capital Assets is	577,307,429
Accumulated Depreciation is	(188,249,951)
Total Capital Assets	<u>389,057,478</u>
Deferred inflow and outflows of resources related to the net pension liability and not reported in the funds.	
Deferred Outflows of Resources Related to the Net Pension Liability	173,562,252
Deferred Outflows of Resources Related to the Net OPEB Liability	2,616,106
Deferred Inflows of Resources Related to the Net Pension Liability	(16,015,064)
Deferred Inflows of Resources Related to the Net OPEB Liability	(31,299,838)
Deferred Inflows of Resources - Unavailable Property Taxes	1,936,382
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	(4,628,900)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term and other liabilities at year end consist of:	
Accrued Interest	(2,339,368)
Accrued Compensated Absences	(2,885,765)
Capital Lease Obligation	(31,969,313)
General Obligation Bonds	(123,185,000)
Net OPEB Liability	(137,522,681)
Net Pension Liability	<u>(508,428,946)</u>
Net Position of Governmental Activities (Statement of Net Position)	<u><u>\$ (211,270,465)</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2018**

	Major Funds									
	11000	13000	14000	24101	24106	31100/31101	31600	41000	Other	Total
	General Fund	Pupil Transportation	Instructional Materials	Title I IASA	Entitlement IDEA-B	Bond Building	Capital Improvements HB-33	Debt Service	Governmental Funds	Governmental Funds
REVENUES										
Property Taxes	\$ 1,282,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,753,007	\$ 15,473,032	\$ 6,589,533	\$ 33,098,111
State Grants	181,472,142	3,981,163	758,584	-	-	-	-	-	3,399,399	189,611,288
Federal Grants	-	-	-	6,779,625	5,998,261	-	-	-	21,810,286	34,588,172
Charges for Services	83,910	-	-	-	-	-	-	-	3,789,024	3,872,934
Miscellaneous	1,162,864	-	16,029	-	-	-	42,788	-	19,087	1,240,768
Local and Private Sources	-	-	-	-	-	-	-	-	2,128,681	2,128,681
Interest	295,143	-	-	-	-	144,084	77,844	107,936	54,091	679,098
Total Revenues	184,296,598	3,981,163	774,613	6,779,625	5,998,261	144,084	9,873,639	15,580,968	37,790,101	265,219,052
EXPENDITURES										
Current:										
Instruction	113,755,680	-	943,623	3,733,305	2,470,898	-	-	-	8,638,736	129,542,242
Support Services:										
Students	16,662,948	-	-	483,177	3,191,644	-	-	-	4,101,949	24,439,718
Instruction	6,067,945	-	-	2,338,605	-	-	-	-	1,580,715	9,987,265
General Administration	1,956,083	-	-	168,563	146,227	-	97,707	92,194	560,604	3,021,378
School Administration	11,005,571	-	-	42,898	326	-	-	-	309,724	11,358,519
Central Services	5,444,110	-	-	-	-	-	-	-	1,269	5,445,379
Operations and Maintenance of Plant	22,710,869	-	-	5,397	186	-	-	-	23,828	22,740,280
Student Transportation	1,690,360	3,981,163	-	-	188,980	-	-	-	462,627	6,323,130
Other Support Services	2,181	-	-	-	-	-	-	-	-	2,181
Food Service Operations	1,843	-	-	-	-	-	-	-	14,307,381	14,309,224
Community Service	29,116	-	-	7,680	-	-	-	-	34,710	71,506
Facilities, Materials, and Supplies	78,908	-	-	-	-	10,806,488	4,727,875	-	8,443,814	24,057,085
Debt Service:										
Principal	-	-	-	-	-	-	1,678,139	9,165,000	-	10,843,139
Interest	-	-	-	-	-	-	1,324,481	4,152,468	-	5,476,949
Bond Issuance Costs	-	-	-	-	-	109,389	-	117,398	-	226,787
Total Expenditures	179,405,614	3,981,163	943,623	6,779,625	5,998,261	10,915,877	7,828,202	13,527,060	38,465,357	267,844,782
DEFICIENCY OF REVENUES UNDER EXPENDITURES	4,890,984	-	(169,010)	-	-	(10,771,793)	2,045,437	2,053,908	(675,256)	(2,625,730)
OTHER FINANCING SOURCES (USES)										
Bond Issuance Premiums	-	-	-	-	-	564,309	-	724,165	-	1,288,474
Proceeds from Bond Issues	-	-	-	-	-	14,550,000	-	-	-	14,550,000
Proceeds of refunding bonds	-	-	-	-	-	-	-	10,460,000	-	10,460,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-	(11,066,767)	-	(11,066,767)
Operating Transfers In	-	-	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	15,114,309	-	117,398	-	15,231,707
NET CHANGE IN FUND BALANCES	4,890,984	-	(169,010)	-	-	4,342,516	2,045,437	2,171,306	(675,256)	12,605,977
Fund Balances - Beginning	11,743,696	-	387,553	-	-	6,349,018	10,334,399	15,122,583	23,288,966	67,226,215
FUND BALANCES - ENDING	<u>\$ 16,634,680</u>	<u>\$ -</u>	<u>\$ 218,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,691,534</u>	<u>\$ 12,379,836</u>	<u>\$ 17,293,889</u>	<u>\$ 22,613,710</u>	<u>\$ 79,832,192</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in
Fund Balances)

\$ 12,605,977

Amounts reported for governmental activities in the statement of activities
are different because:

Expenses related to the net pension liability not reported in the funds. (60,896,590)

Expenses related to the net OPEB liability not reported in the funds. (2,851,353)

Unavailable Revenue - Property Taxes (168,523)

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 (16,755,970)

Capital Outlay 17,869,252

Loss on Disposal of Capital Assets (36,337)

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 667,657

Bond Underwriter Premiums (1,288,474)

Increase in Accrued Interest Payable (556,477)

Decrease in Accrued Compensated Absences 84,367

Bond Proceeds (14,550,000)

Bond Proceeds on Refunded Bonds (10,460,000)

Principal Payments from Refunding (paid to escrow agent) 10,500,000

Principal Payments on Bonds 9,165,000

Capital Lease Payments 1,678,139

Change in Net Position of Governmental Activities
(Statement of Activities)

\$ (54,993,332)

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – GENERAL FUND (11000)
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
Property Taxes	\$ 1,231,791	\$ 1,231,791	\$ 1,286,408	\$ 54,617
State Grants	177,954,638	180,717,644	180,780,690	63,046
Federal Grants	515,000	515,000	68,929	(446,071)
Charges for Services	40,000	40,000	291,500	251,500
Miscellaneous	510,000	510,000	707,970	197,970
Interest	20,000	20,000	304,994	284,994
Total Revenues	180,271,429	183,034,435	183,440,491	406,056
EXPENDITURES				
Current:				
Instruction	116,640,765	119,646,016	113,791,705	5,854,311
Support Services:				
Students	17,165,926	17,401,926	16,662,330	739,596
Instruction	6,205,288	6,302,288	6,051,491	250,797
General Administration	1,437,659	2,054,659	1,921,444	133,215
School Administration	11,303,039	11,482,039	11,010,378	471,661
Central Services	5,556,074	5,677,873	5,466,372	211,501
Operation/Maintenance of Plant	21,590,692	21,844,692	21,818,014	26,678
Student Transportation	1,773,510	1,783,510	1,690,273	93,237
Other Support Services	8,502,896	8,502,896	2,181	8,500,715
Food Services Operations	-	50,000	1,842	48,158
Community Services	63,200	63,200	29,116	34,084
Capital Outlay	-	115,000	78,908	36,092
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	190,239,049	194,924,099	178,524,054	16,400,045
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	(9,967,620)	(11,889,664)	4,916,437	16,806,101
Designated Cash	9,967,620	11,889,664	-	(11,889,664)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	4,916,437	<u>\$ 4,916,437</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			856,107	
Adjustments to Expenditures			(881,560)	
Net Changes in Fund Balance (GAAP Basis)			<u>\$ 4,890,984</u>	

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – PUPIL TRANSPORTATION SPECIAL REVENUE FUND (13000)
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	3,981,163	3,981,163	3,981,163	-
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total Revenues	3,981,163	3,981,163	3,981,163	-
EXPENDITURES				
Current:				
Instruction	-	-	-	-
Support Services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation/Maintenance of Plant	-	-	-	-
Student Transportation	3,981,163	3,981,163	3,981,163	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	3,981,163	3,981,163	3,981,163	-
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			-	
Adjustments to Expenditures			-	
Net Changes in Fund Balance (GAAP Basis)			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – INSTRUCTIONAL MATERIALS SPECIAL REVENUE FUND (14000)
YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	687,232	1,059,325	758,584	(300,741)
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous	-	-	16,029	16,029
Interest	-	-	-	-
Total Revenues	687,232	1,059,325	774,613	(284,712)
EXPENDITURES				
Current:				
Instruction	687,232	1,446,878	943,623	503,255
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	687,232	1,446,878	943,623	503,255
DEFICIENCY OF REVENUES UNDER EXPENDITURES				
AND OTHER FINANCING SOURCES	-	(387,553)	(169,010)	218,543
Designated Cash	-	387,553	-	(387,553)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(169,010)</u>	<u>\$ (169,010)</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			-	
Adjustments to Expenditures			-	
Net Changes in Fund Balance (GAAP Basis)			<u>\$ (169,010)</u>	

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – TITLE I IASA SPECIAL REVENUE FUND (24101)
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants				-
Federal Grants	8,054,387	9,695,423	5,545,364	(4,150,059)
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total Revenues	<u>8,054,387</u>	<u>9,695,423</u>	<u>5,545,364</u>	<u>(4,150,059)</u>
EXPENDITURES				
Current:				
Instruction	5,115,895	5,896,897	3,736,423	2,160,474
Support Services:				
Students	669,700	669,700	483,176	186,524
Instruction	1,818,802	2,560,168	2,338,605	221,563
General Administration	201,046	228,847	169,323	59,524
School Administration	215,653	306,520	42,898	263,622
Central Services	-	-	-	-
Operation/Maintenance of Plant	23,291	23,291	5,397	17,894
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	10,000	10,000	7,680	2,320
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>8,054,387</u>	<u>9,695,423</u>	<u>6,783,502</u>	<u>2,911,921</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	-	-	(1,238,138)	(7,061,980)
Designated Cash	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,238,138)</u>	<u>\$ (7,061,980)</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			1,234,261	
Adjustments to Expenditures			3,877	
Net Changes in Fund Balance (GAAP Basis)			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – ENTITLEMENT IDEA-B SPECIAL REVENUE FUND (24106)
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Federal Grants	7,584,920	8,192,424	6,883,182	(1,309,242)
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total Revenues	7,584,920	8,192,424	6,883,182	(1,309,242)
EXPENDITURES				
Current:				
Instruction	3,438,502	3,742,254	2,336,903	1,405,351
Support Services:				
Students	3,359,418	4,039,840	3,185,595	854,245
Instruction	-	-	-	-
General Administration	190,000	190,000	146,227	43,773
School Administration	-	330	326	4
Central Services	390,000	-	-	-
Operation/Maintenance of Plant	7,000	7,000	186	6,814
Student Transportation	200,000	213,000	188,980	24,020
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	7,584,920	8,192,424	5,858,217	2,334,207
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	-	-	1,024,965	(3,643,449)
Designated Cash	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,024,965	<u>\$ (3,643,449)</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			(884,921)	
Adjustments to Expenditures			(140,044)	
Net Changes in Fund Balance (GAAP Basis)			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2018

	Agency Funds
ASSETS	
Current Assets:	
Cash	<u>\$ 720,930</u>
Total Assets	<u><u>\$ 720,930</u></u>
LIABILITIES	
Current Liabilities:	
Deposits Held in Trust for Others	<u>\$ 720,930</u>
Total Liabilities	<u><u>\$ 720,930</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 the 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.

Reporting Entity

The GASB Codification establishes 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 Codification, 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.

The District has no component units.

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.

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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 (13000)* 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 (14000)* 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 (24101)* 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 *Entitlement IDEA-B Special Revenue Fund (24106)* is used to account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611- 620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

The *Bond Building Capital Projects Fund (31100/31101)* 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 *Capital Improvements HB-33 (31600)* is used to account for monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of erecting, remodeling, making additions to, providing equipment for or furnishing public school buildings, purchasing or improving public school grounds.

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The *Debt Service Fund (41000)* is used to account for the accumulation of resources for the payment of Long-Debt principal and interest.

Additionally, the District reports the following agency fund:

The *Fiduciary Fund* accounts 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.

The District had no required tax abatement disclosures to report in accordance with GASB No. 77, as of June 30, 2018.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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 2018 is considered "measurable and available" and, accordingly, is recorded as revenue during the year ended June 30, 2018.

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 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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

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.

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, 2018 financial statements of the District, since the District did not own any infrastructure assets as of June 30, 2018. 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 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, 2018.

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 are 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

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Unearned Revenues: The District may report unearned revenues on its Statement of Net Position and various fund balance sheets. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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 one day per month, not to exceed 10 days per year. Employees employed for 220 days accrue one day per month, not to exceed 11 days per year. Accumulated sick leave is not paid out upon termination.

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, \$4,708,945 was recorded as interest on long-term debt.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District is reporting \$173,562,252 related to the pension plan and \$2,616,106 related to OPEB in this category as of June 30, 2018.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reported deferred inflows that were related to the net pension liability in the amount of \$16,015,064 and net OPEB liability of \$31,299,838 as of June 30, 2018. The District also reported deferred inflows on the fund financial statements related to property tax revenue of \$1,936,382 as of June 30, 2018.

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.

OPEB: For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Authority (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, 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.

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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

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, capital projects or other."

Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "investment in capital assets"

The government-wide statement of net position reports \$52,472,307 of restricted net position, which 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.
- *Unassigned* – amounts that are not constrained at all will be reported in the general fund.

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 and the net pension liability and related deferred inflows and outflows.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Article 8 Section 22-8-25, 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 \$180,662,016 in state equalization guarantee distributions during the year ended June 30, 2018.

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 records only the portion of the taxes considered to be 'measurable' and 'available'. The District recognized \$33,098,111 in tax revenues during the year ended June 30, 2018. 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 1st. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th 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 Distributions: School districts in the State of New Mexico receive student transportation distributions. The transportation 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 \$3,981,163 in transportation distributions during the year ended June 30, 2018.

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, 70% is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while 30% of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled \$758,584.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues (Continued)

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.

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, 2018, the District did not receive 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 100% 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.

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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 at the function level, 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.

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

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

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.
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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018.

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 100% 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 the Schedule of Collateral Pledged by Depository for Public Funds on page 84 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 \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. 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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Deposits (Continued)

	Bank of America	Citizens Bank of Las Cruces	Demand Deposit US Bank
Total Amount of Deposits	\$ 2,300	\$ 44,755,340	\$ 2,412,409
FDIC Coverage	(2,300)	(250,000)	(250,000)
Total Uninsured Public Funds	<u>\$ -</u>	<u>\$ 44,505,340</u>	<u>\$ 2,162,409</u>
Collateral Requirement (50% of Uninsured Public Funds)	\$ -	\$ 22,252,670	\$ 1,081,205
Pledged Security	-	(28,063,891)	(3,500,000)
Total Under (Over) Collateralized	<u>\$ -</u>	<u>\$ (5,811,221)</u>	<u>\$ (2,418,796)</u>
	First American Bank	Wells Fargo Bank	Total
Total Amount of Deposits	\$ 80,332	\$ 15,379,323	\$ 62,629,704
FDIC Coverage	(80,332)	(250,000)	(832,632)
Total Uninsured Public Funds	<u>\$ -</u>	<u>\$ 15,129,323</u>	<u>\$ 61,797,072</u>
Collateral Requirement (50% of Uninsured Public Funds)	\$ -	\$ 7,564,662	\$ 30,898,536
Pledged Security	(260,665)	(8,656,182)	(40,480,738)
Total Under (Over) Collateralized	<u>\$ (260,665)</u>	<u>\$ (1,091,521)</u>	<u>\$ (9,582,202)</u>

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, 2018, \$61,797,072 of the District's bank balances of \$62,629,704 was exposed to custodial credit risk as there was not sufficient collateral held. The entire balance of pledged collateral of \$40,480,738 is not held in the District's name.

Investments

As a participant in the New Mexico State Treasurer's Local Government Investment Pool (LGIP), the District is not required to categorize the value of shares in accordance with the fair value hierarchy. The District's investment in the LGIP represents a proportionate interest in the Pool's portfolio. The District's portion is not identified with specific investments and is not subject to custodial risk; however, separately issued financial statements of the LGIP disclose the collateral pledged to secure the State Treasurer's cash and investments. The most recent report may be obtained by contacting the New Mexico State Treasurer's Office, P.O. Box 5135, Santa Fe, NM 87502-5135. The District's investment in LGIP at June 30, 2018 was \$27,040,967.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Risk - The State of New Mexico Local Government Investment Pool is authorized by state statute and is rated AAAM by Standard & Poors. The LGIP is not registered with the United States Securities Exchange Commission. Section 6-10-101, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held for short-term investment in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The LGIP 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. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the pool is voluntary. The District's investment in the LGIP approximates the value of the District's pool share.

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 58 days.

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).

NOTE 4 RECEIVABLES

	General	Title I IASA	Entitlement IDEA-B Fund	Debt Service	Capital Improvements HB 33	Governmental Funds	Total
Property Taxes	\$ 96,177	\$ -	\$ -	\$ 1,123,214	\$ 731,082	\$ 489,703	\$ 2,440,176
Due From Other Governments	52	2,071,958	2,085,703	-	-	3,188,959	7,346,672
Other	9,666	-	-	18,728	-	376	28,770
	<u>\$ 105,895</u>	<u>\$ 2,071,958</u>	<u>\$ 2,085,703</u>	<u>\$ 1,141,942</u>	<u>\$ 731,082</u>	<u>\$ 3,679,038</u>	<u>\$ 9,815,618</u>

The above receivables are deemed 100% collectible.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 consist of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
Major Funds:		
General Fund	\$ 5,905,552	\$ -
Title I IASA	-	1,771,754
IDEA - B - Entitlement Fund	-	1,630,151
Nonmajor Funds:		
Migrant Children Education IASA	-	7,733
New Mexico Autism Project	-	5,110
Preschool IDEA-B	-	30,827
IDEA - B Early Intervention Services	-	41,870
Education of Homeless	-	22,962
IDEA - B Private School Share	-	39
Fresh Fruits & Vegetables USDA	-	114,375
English Language Acquisition	-	127,533
Teacher/Principal Training and Recruiting	-	589,575
Title I School Improvement	-	12,528
Carl D Perkins Secondary - Current	-	46,530
Carl D Perkins Secondary - Redistrib	-	2,402
Carl D. Perkins High Schools That Work Current	-	45,518
Migrant Regional Recruiting	-	8,723
Student Support & Academic Achievement	-	61,956
Headstart	-	420,881
Safe Routes to School NMDOT	-	11,320
Food Stamps Nutrition	-	67,393
Dual Credit Instructional Materials	-	13,580
2012 GO Bonds Student Library SB - 66	-	158,991
Truancy Initiative	-	82,531
New Mexico Prek	-	99,856
Breakfast for Elementary Students	-	7,855
Teachers Hard to Staff Stipend	-	61,563
Capital Improvements SB - 9 State Match	-	461,996
Total Governmental Activities	<u>\$ 5,905,552</u>	<u>\$ 5,905,552</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	June 30, 2017	Additions/ Transfers	Deletions/ Transfers	June 30, 2018
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 25,718,434	\$ 16,432,638	\$ (40,456,047)	\$ 1,695,025
Art	20,700	-	-	20,700
Land	6,799,006	-	-	6,799,006
Total Capital Assets Not Being Depreciated	32,538,140	16,432,638	(40,456,047)	8,514,731
Capital Assets Used in Governmental Activities:				
Land Improvements	30,171,546	645,845		30,817,391
Buildings and Building Improvements	471,256,382	39,828,769	(29,195)	511,055,956
Equipment and Vehicles	26,418,008	1,418,047	(916,704)	26,919,351
Total Capital Assets Being Depreciated	527,845,936	41,892,661	(945,899)	568,792,698
Less Accumulated Depreciation of:				
Land and Land Improvements	(11,493,568)	(1,508,113)	-	(13,001,681)
Buildings and Building Improvements	(140,113,941)	(13,926,045)	28,812	(154,011,174)
Equipment and Vehicles	(20,796,034)	(1,321,812)	880,750	(21,237,096)
Total Accumulated Depreciation	(172,403,543)	(16,755,970)	909,562	(188,249,951)
Total Capital Assets	<u>\$ 387,980,533</u>	<u>\$ 41,569,329</u>	<u>\$ (40,492,384)</u>	<u>\$ 389,057,478</u>

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

Instruction	\$ 217,721
Support Services - Students	107,238
Support Services - Instruction	920
Support Services - General Administration	14,149
Support Services - School Administration	2,843
Central Services	362
Operations and Maintenance of Plant	4,227
Food Services	13,094
Capital Outlay	110,413
Unallocated	16,285,003
Total	<u>\$ 16,755,970</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 LONG-TERM DEBT

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Bonds Payable	\$ 117,840,000	\$ 25,010,000	\$ (19,665,000)	\$ 123,185,000	\$ 8,995,500
Unamortized Bond Premiums	4,008,083	1,288,474	(667,657)	4,628,900	-
Capital Lease	33,647,452	-	(1,678,139)	31,969,313	1,746,473
Compensated Absences	2,970,132	1,307,915	(1,392,282)	2,885,765	2,885,765
Total Long-Term Debt	<u>\$ 158,465,667</u>	<u>\$ 27,606,389</u>	<u>\$ (23,403,078)</u>	<u>\$ 162,668,978</u>	<u>\$ 13,627,738</u>

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 2034.

The annual requirements to amortize the General Obligation Bonds and Bond Anticipation Notes as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 8,950,000	\$ 3,783,561	\$ 12,733,561
2020	7,720,000	3,596,886	11,316,886
2021	8,290,000	1,333,150	9,623,150
2022	7,375,000	2,657,536	10,032,536
2023	8,110,000	2,997,099	11,107,099
2024-2028	43,475,000	9,292,560	52,767,560
2029-2033	37,605,000	2,994,331	40,599,331
2034-2036	1,660,000	24,900	1,684,900
Total	<u>\$ 123,185,000</u>	<u>\$ 26,680,023</u>	<u>\$ 149,865,023</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 \$1,950,000 in the current year and is included with depreciation expense. Total accumulated depreciation of the leased buildings is \$10,316,667. The remaining balance on ECHS I, ECHS II, and CYC will be paid with equal semi-annual payments of \$730,676, \$567,827, and \$202,806 beginning on August 1, 2012, May 1, 2015, and May 1, 2016, respectively. The District has a bargain purchase option to purchase all three buildings for \$1.00 at the end of the lease.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 LONG-TERM DEBT (CONTINUED)

Capital Lease (Continued)

The total remaining capital lease obligation is \$31,969,313, of which \$1,746,473 is considered current. The following represents future minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30,	Interest	Principal	Total Debt Service
2019	\$ 1,256,146	\$ 1,746,473	\$ 3,002,619
2020	1,184,967	1,817,653	3,002,620
2021	1,110,822	1,891,797	3,002,619
2022	1,033,586	1,969,033	3,002,619
2023	2,049,493	2,049,493	4,098,986
2024-2028	3,435,990	11,577,108	15,013,098
2029-2033	1,028,540	10,331,175	11,359,715
2034-2036	21,836	586,581	608,417
Total	<u>\$ 11,121,380</u>	<u>\$ 31,969,313</u>	<u>\$ 43,090,693</u>

Compensated Absences

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, 2018, compensated absences decreased \$84,367 over the prior year accrual.

Operating Leases

The District leases office equipment and storage units under short-term cancelable operating leases. Rental cost for the year ended June 30, 2018 was \$136,405.

Advance Refunding

On October 24, 2017, the District issued \$10,460,000 in General Obligation School Bonds with interest rates ranging between 2% to 3%. The District issued the bonds to advance refund \$10,500,000 of the outstanding Series 2009 General Obligation School Building Bonds with a 3.5% to 4% interest rate. The District used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for future debt service on the refunded portion of the 2009 Series bonds. As a result, the 2009 Series bonds are considered defeased, and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$10,500,000 at June 30, 2018.

The advance refunding kept the total debt service payments over the next seven years consistent. This resulted in no gain or loss on this transaction.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 RISK MANAGEMENT

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The NMPSIA 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.

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, 2018, 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:

- Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2018:

Major Funds: None
Nonmajor Funds: None

- Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2018:

Major Funds: None
Nonmajor Funds: None

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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.

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,

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Benefits Provided (Continued)

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, 2015 employers contributed 13.90% 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 10.70% of their gross annual salary. For fiscal year ended June 30, 2016, employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2017, employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2018, employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$18,189,068 for the year ended June 30, 2018.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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, 2016. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017. At June 30, 2018, the District reported a liability of \$508,428,946 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, 2017. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2018, the District's proportion was 4.5749%, which was an increase from its proportion of 4.4627% measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$79,085,654. As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 912,679	\$ -
Changes of Assumptions	148,420,401	(7,832,827)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(69,746)
Changes in Proportion and Differences Between the District Contributions and Proportionate Share of Contributions	6,040,104	(8,112,491)
The District's Contributions Subsequent to the Measurement Date	18,189,068	-
Total	<u>\$ 173,562,252</u>	<u>\$ (16,015,064)</u>

\$18,189,068 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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 Ending June 30,	Amount
2019	\$ 51,857,510
2020	55,826,921
2021	35,860,214
2022	(4,186,525)
Thereafter	
Total	<u>\$ 139,358,120</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled forward from the valuation date to the Plan's year ended June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. The liabilities reflect the impact of the new assumptions adopted by the Board of Trustees on April 21, 2017 as well as the change in the single discount rate between June 30, 2016 and June 30, 2017. Specifically, the liabilities measured as of June 30, 2017 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and 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. The new assumptions adopted by the Board on April 21, 2017 in conjunction with the change in the single discount rate, and
5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	2.50%

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial Assumptions (Continued)

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
Investment Rate of Return	7.25%
Single Discount Rate	5.90%
Retirement Age	Experience based table of age and service rates
Mortality	Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB. Healthy Females – GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table's base year of 2012.

Rate of Return

Disclosure of the annual money-weighted return is a requirement of GASB 67. It incorporates both the size and timing of cash flows to determine an internal rate of return, and expresses investment performance adjusted for the changing amounts actually invested. The requirements of the calculation are listed below.

- The rate is computed net of investment expenses, but not net of administrative expenses.
- External cash flows used as inputs should be determined on at least a monthly basis.
- Cash flows should be determined on an accrual basis of accounting.
- Cash flow weighting should be representative of the Plan's actual external cash flow timing.

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2017 and 2016 for 30-year return assumptions are summarized net of fees and inflation in the following table by asset class.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Rate of Return (Continued)

Schedule of Long-Term Rate of Return by Asset Class			
Asset Class	2017		2016
	Percentage		Percentage
Cash	(0.25)%		(0.25)%
U.S. Treasuries	0.25		-
IG Corp Credit	1.75		1.75
Mortgage Backed Securities	0.25		0.25
Core Bonds*	0.75		0.64
Treasury Inflation Protected Securities	0.50		0.75
High-Yield Bonds	2.50		2.50
Bank Loans	2.75		2.75
Global Bonds (Unhedged)	(0.50)		(0.50)
Global Bonds (Hedged)	(0.38)		(0.38)
Emerging Market Debt External	2.50		2.75
Emerging Market Debt Local Currency	3.25		3.25
Large Cap Equities	4.25		4.25
Small/Mid Cap Equities	4.50		4.50
International Equities (Unhedged)	4.50		4.75
International Equities (Hedged)	4.89		5.14
Emerging International Equities	6.25		6.25
Private Equity	6.25		6.25
Private Debt	4.75		4.75
Private Real Assets	5.90		4.50
Real Estate	3.25		3.25
Commodities	2.25		2.25
Hedge Funds	3.22		3.25

*Core Bonds assumption based on market weighted blend of components of Aggregate Index (Treasuries, IG Corp Credit, and Mortgage Backed Securities).

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 2017. 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 (4.90%) or one percentage point higher (6.90%) than the single discount rate.

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
The District's Proportionate Share of the Net Pension Liability	<u>\$ 661,548,050</u>	<u>\$ 508,428,946</u>	<u>\$ 383,021,312</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Payables to the Pension Plan

The payable to the plan as of June 30, 2018, which is related to required contributions outstanding at the end of the period was: \$5,742,925.

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, 2017 and 2016 which are publicly available at www.nmerb.org.

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

Plan Description

The District 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

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Funding Policy (Continued)

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.

Contributions

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 who were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 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, 2018, 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 who were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, 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. Contributions to the OPEB plan from the District were \$2,616,106 for the year ended June 30, 2018

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The total OPEB liability, net OPEB liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date June 30, 2017. At June 30, 2018, the District reported a liability of \$137,522,681 for its' proportionate share of the net OPEB liability. The District's proportion of the net OPEB liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2017. The contribution amounts were defined by Section 10-7C-15, NMSA 1978. At June 30, 2018, the District's proportion was 3.0347%.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$5,467,460. As of June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (5,277,391)
Changes of Assumptions	-	(24,044,089)
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	(1,978,358)
The District's Contributions Subsequent to the Measurement Date	2,616,106	-
Total	<u>\$ 2,616,106</u>	<u>\$ (31,299,838)</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2019	\$ (6,654,564)
2020	(6,654,564)
2021	(6,654,564)
2022	(6,654,564)
Thereafter	(4,681,582)
Total	<u>\$ (31,299,838)</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal, level percent of pay, calculated on individual employee basis
Amortization Method	30-year open-ended amortization, level percent of payroll
Remaining Amortization Period	30 years as of June 30, 2016
Asset Valuation Method	Market value of assets

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

Actuarial Assumptions (Continued)

Inflation	2.50% for ERB; 2.25% for PERA
Projected Payroll Increases	3.50%
Investment Rate of Return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health Care Cost Trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	
<i>After Retirement</i>	Males – RP-2000 Combined Mortality Table with white collar adjustments, generationally projected with scale BB. Females – GRS Southwest Region Teacher Mortality Table, set back one year, generationally projected with scale BB.
<i>After Disability Retirement</i>	RP-2000 Disabled Mortality Table, set back three years for males and no set back for females, projected with Scale BB to 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

Asset Class	Long-Term Rate of Return
U.S. Core Fixed Income	4.1 %
U.S. Equity - Large Cap	9.1
Non U.S. - Emerging Markets	12.2
Non U.S. - Developed Equities	9.8
Private Equity	13.8
Credit and Structured Finance	7.3
Real Estate	6.9
Absolute Return	6.1
U.S. Equity - Small/Mid Cap	9.1

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Actuarial Assumptions (Continued)

The discount rate used to measure the total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
The District's Proportionate Share of the OPEB Liability	<u>\$ 166,812,869</u>	<u>\$ 137,522,681</u>	<u>\$ 114,541,896</u>

The following presents the net OPEB liability of the School, as well as what the School's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

OPEB Plan Fiduciary Net Position

Detailed information about the NMRHCA's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2017 and 2016, which are publicly available at www.nmrhca.org.

Payables to the OPEB Plan

The payable to the plan as of June 30, 2018, which is related to required contributions outstanding at the end of the period was: \$708,479.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 is 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, 2018. 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)

JPA – School Resource Officer Program

Participants	Las Cruces Public Schools No. 2 and 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 students' knowledge of and respect for the law and the function of law enforcement
Term of Agreement	June 20, 2017 to June 30, 2018
Amount of Project	\$56,543
District Contributes	Reimbursement of actual expenditures of School Resource Officer costs, not to exceed \$56,543
Audit Responsibility	Las Cruces Public School District No. 2

NOTE 15 RESTATEMENT

In FY2018, the District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This implementation has no impact on the District's governmental fund financial statements. However, as a result of this implementation, the beginning net position was restated as follows:

Net Position - as Previously Reported	\$ 7,077,927
Cumulative Effect of Implementing GASB 75	<u>(163,355,060)</u>
Net Position - as Restated	<u><u>(156,277,133)</u></u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND CONTRIBUTIONS –
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN –
LAST 10 FISCAL YEARS*
(REQUIRED SUPPLEMENTARY INFORMATION)**

	Measurement Date			
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
The District's Proportion of the Net Pension Liability (Asset)	4.57489%	4.46272%	4.73255%	4.69000%
The District's Proportionate Share of the Net Pension Liability (Asset)	\$ 508,428,946	\$ 321,156,680	\$ 306,539,866	\$ 267,644,295
The District's Covered Payroll	\$ 130,283,547	\$ 127,456,763	\$ 134,530,374	\$ 129,295,745
The District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	390%	252%	228%	207%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.95%	61.58%	63.97%	66.54%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 18,189,068	\$ 18,109,413	\$ 17,716,490	\$ 18,699,722
Contributions in Relation to the Contractually Required Contribution	\$ 18,189,068	\$ 18,109,413	\$ 17,716,490	\$ 18,699,722
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 130,856,604	\$ 130,283,547	\$ 127,456,763	\$ 134,530,374
Contributions as a Percentage of Covered Payroll	13.90%	13.90%	13.90%	13.90%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY AND CONTRIBUTIONS –
NM RETIREE HEALTH CARE AUTHORITY (NMRHCA) PLAN –
LAST 10 FISCAL YEARS*
(REQUIRED SUPPLEMENTARY INFORMATION)**

	<u>Measurement Date June 30, 2017</u>
The District's Proportion of the Net OPEB Liability (Asset)	3.03470%
The District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 137,522,681
The District's Covered Payroll	\$ 130,277,300
The District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	106%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.34%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

	<u>2018</u>
Contractually Required Contribution	\$ 2,616,106
Contributions in Relation to the Contractually Required Contribution	\$ 2,616,106
Contribution Deficiency (Excess)	\$ -
District's Covered Payroll	\$ 130,805,300
Contributions as a Percentage of Covered Payroll	2%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

Changes of Benefit Terms – Net Pension Liability

There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

Changes of Assumptions – Net Pension Liability

Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

Actuarial Methods and Assumptions Used – Net OPEB Liability:

Actuarial cost method:	Entry age, level percent of pay
Amortization method:	Level percent of payroll
Remaining amortization period:	30 years open (non-decreasing)
Asset valuation method:	Market value of assets

Actuarial assumptions

- Investment rate of return 7.25%
- Inflation rate 3.00%
- Salary increases 0.50%-0.75%

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue	Capital Projects	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 17,803,050	\$ 4,970,568	\$ 22,773,618
Investments	-	24,819	24,819
Accounts Receivable:			
Taxes	-	489,703	489,703
Due from Other Governments	2,726,963	461,996	3,188,959
Due from Other Funds	-	-	-
Other	340	36	376
Inventory	437,623	-	437,623
	<u>\$ 20,967,976</u>	<u>\$ 5,947,122</u>	<u>\$ 26,915,098</u>
Total Assets			
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts Payable	\$ 198,373	\$ 295,731	\$ 494,104
Due to Government	-	325	325
Accrued Expenses	914,655	-	914,655
Interfund Payables	2,041,651	461,996	2,503,647
Total Liabilities	<u>3,154,679</u>	<u>758,052</u>	<u>3,912,731</u>
Deferred Inflows of Resources:			
Unavailable Revenues	-	388,657	388,657
Fund Balances:			
Nonspendable	437,623	-	437,623
Restricted by Grantor	17,375,674	-	17,375,674
Restricted for Capital Projects	-	4,800,413	4,800,413
Total Fund Balance	<u>17,813,297</u>	<u>4,800,413</u>	<u>22,613,710</u>
	<u>\$ 20,967,976</u>	<u>\$ 5,947,122</u>	<u>\$ 26,915,098</u>
Total Liabilities and Fund Balances			

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	Special Revenue	Capital Projects	Total
REVENUES			
Property Taxes	\$ -	\$ 6,589,533	\$ 6,589,533
State Grants	3,150,217	249,182	3,399,399
Federal Grants	21,810,286	-	21,810,286
Charges for Services	3,789,024	-	3,789,024
Miscellaneous	15,089	3,998	19,087
Local and Private Sources	1,540,334	588,347	2,128,681
Interest	14,382	39,709	54,091
Total Revenues	<u>30,319,332</u>	<u>7,470,769</u>	<u>37,790,101</u>
EXPENDITURES			
Current:			
Instruction	8,638,736	-	8,638,736
Support Services:			-
Students	4,101,949	-	4,101,949
Instruction	1,580,715	-	1,580,715
General Administration	494,576	66,028	560,604
School Administration	309,724	-	309,724
Central Services	1,269	-	1,269
Operation and Maintenance of Plant	23,828	-	23,828
Student Transportation	462,627	-	462,627
Other Support Services	-	-	-
Food Service Operations	14,307,381	-	14,307,381
Community Service	34,710	-	34,710
Facilities, Materials, and Supplies	55,343	8,388,471	8,443,814
Total Expenditures	<u>30,010,858</u>	<u>8,454,499</u>	<u>38,465,357</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	308,474	(983,730)	(675,256)
OTHER FINANCING SOURCES (USES)			
Operating Transfers in		-	-
Operating Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	308,474	(983,730)	(675,256)
Fund Balances - Beginning of Year	<u>17,504,823</u>	<u>5,784,143</u>	<u>23,288,966</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 17,813,297</u></u>	<u><u>\$ 4,800,413</u></u>	<u><u>\$ 22,613,710</u></u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2018**

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

Food Services (21000) – To account for the cost of operating a student breakfast, lunch, snack bar and summer lunch program and is financed with federal grants and fees paid by program users.

Athletics (22000) – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

Non-Instructional Materials (23000) – To account for budgeted revenues and expenditures which relate to student activities other than athletics.

Migrant Children Education IASA (24103) – To account for federal resources administered by the State Public Education Department to provide for special educational needs of migratory agricultural workers (P.L. 100-297).

New Mexico Autism Project (24108) – This award will support the District's implementation of NMAP and improve the outcomes for students with Autism Spectrum Disorders (ASD).

Preschool IDEA-B (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

IDEA-B Early Intervention (24112) – To account for a sub-award from IDEA-B Basic grant (24106) to develop and implement coordinated early intervening educational services. The services are designed to directly benefit nondisabled children who need additional academic and behavioral support to succeed in the general education environment.

Education of Homeless (24113) – To ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll in, attend, and achieve success in school; to develop and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth. Authorized by McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.

IDEA-B Private Schools (24115) – To account for a sub-award from IDEA-B Basic grant (24106) to assist in providing special education and related services to students with disabilities who are parentally placed in private elementary and secondary schools located in the school district served by the LEA.

Fresh Fruits & Vegetables USDA (24118) – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2018**

English Language Acquisition (24153) – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards.

Teacher / Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students.

Title I School Improvement (24162) – To provide supplemental educational opportunity for academically disadvantaged children in the area residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criterion that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

Title III Immigrant Student Education Program (24163) – These funds are specifically targeted to eligible immigrant students and their families through the provision of supplementary programs and services for the underlying purpose of assuring that these students meet the same challenging grade level and graduation standards as mainstream students.

Carl D. Perkins (24174 – Secondary Current) (24175 – Secondary PY Oblig.) (24176 – Secondary Redistribution) – The objective of this grant is to provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Funds are acquired from federal sources through the New Mexico Department of Education. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as amended, Public Law 105-332.

Carl D. Perkins High Schools That Work Current, Prior Year, and Redistribution (24180, 24181, and 24182) – To account for funds administered through the State Public Education Office to the deployment of the HSTW framework is intended to improve student achievement, increase graduation rates and provide relevant and rigorous high school instruction.

Migrant Regional Recruiting (24187) – To identify and recruit migrant students in New Mexico and support recruitment in other areas as needed. The work is performed through the region as assigned by the Department, and includes accurately documenting the facts of eligibility. Recruiter will assist in the monitoring of student academic progress and provide outreach to the families. In addition, recruiter will work with identified personnel in school districts to identify migrant students.

Headstart (25127) – To account for federal resources administered by the U.S. Department of Health and Human Services to provide comprehensive early childhood development for disadvantaged preschool children and their families. (Community Opportunities, Accountability and Training Act of 1998).

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SPECIAL REVENUE FUNDS
JUNE 30, 2018**

Title XX – Health & Social Services (25129) – To account for federal resources administered through the Human Service Department to provide day care benefits to qualifying low income families with dependent children (P.L. 103-66, P.L. 100-485).

Impact Aid Special Education (25145) – To account for funding of a Federal program to provide financial assistance to local educational agencies (LEA's) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), or where there are a significant number of children who reside on Federal (including Indian) lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 3(a) and 3(b)): where there is a significant decrease (Section 3(c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of Federal activities; to provide disaster assistance for reduced or increased operating costs (Section 7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Funding authorized by Public Law 81-874.

Safe Routes to School NMDOT (25146) – To account for funds administered by New Mexico Department of Transportation to promote or improve safety of walking or bicycling to school.

Food Stamps Nutrition (25150) – To account for funds administered by the New Mexico State University through New Mexico Human Services Department to promote nutrition education to students and parents.

Title XIX MEDICAID 3/21 Years (25153) – To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

SCIAD (26136) – To account for funds awarded to support the science advisors (SCIAD) program and math, science and technology projects. Science professionals, teachers, parents and other community supporters are recruited to service as SCIAD's to students. Authorization is a grant from the Honeywell Corporation.

Daniels Funds (26141) – To explore how early childhood education can be enhanced in Dona Ana County so that more children have access to high quality early childhood education. More specifically, to explore how partner organization's services in early childhood education can be aligned, expanded and/or become more accessible throughout Dona Ana County. Develop a cadre of "parent educators" who facilitate First Teacher or Abriendo Puertas with a common knowledge curriculum to enhance early childhood education throughout the county, and to improve "Workforce Development for Early Childhood Education."

Paso Del Norte Health Foundation (26153) – To account for funds awarded to various schools to support Coordinated Approach to Child Health initiatives.

Spaceport GRT Grant Dona Ana County (26204) – These funds are intended for middle and high school students who will explore aerospace-related topics and participate in activities and programs that enhance learning and promote post-secondary education, leading to careers in science, technology, engineering, and mathematics.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2018**

Dual Credit Instructional Materials (27103) – This grant is intended for dual credit instructional materials for the students.

2012 GO Bond Public School Library (27107) – The purpose of the 2012 GOB Public School Library Award is to acquire library books and library resources for public school libraries statewide. These funds were made available through Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10.B(3).

Truancy Initiative PED (27141) – To hire Truancy and Dropout Prevention Coaches with appropriate state licensure. The coaches will monitor and report on the performance of each school assigned a coach. The reporting will include information about truancy and dropout statistics, as well as documentation about various events and programming provided by the school as related to truancy and dropout prevention.

Breakfast for Elementary Students (27155) – The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation.

Kindergarten Three Plus (27166) – The funding is part of a pilot project for Kindergarten through third grade students at both Ann Parish Elementary and Desert View Elementary. Funds used for teachers, educational assistants, nurses, an academic coach, and PE coach at both schools.

NM Grown FVV (27183) – The purpose of the NM Grown FVV appropriation is to provide for the purchase of New Mexico grown fresh fruits and vegetables for school meal programs.

Teachers Hard to Staff Stipend (27195) – To provide a \$5,000 stipend per year to qualified STEM (grades 7-12), Special Education (K-12), Bilingual (K-12) or other hard-to-staff teaching positions to serve in low performing (D/F), urban or rural schools. These funds can be used as a stipend to recruit these hard-to-staff experts to teach in hard to staff schools or to attract and retain these teachers in low-performing schools.

AFSC Local Vegetables and Fruits (28120) – To procure local vegetables and fruits from local farmers, prioritizing purchasing from farmers who have participated, or are currently participating in farmer training programs. The American Friends Service Committee (AFSC) will provide list of local farmers that can supply the Las Cruces Public Schools with fresh vegetables and fruits.

Regn. Alliance Science/Eng/Math NMSU (28160) – Regional Alliance/ Science/ English/ Math NMSU – To account for funds from NMSU for Teacher Outreach in the science, technology, engineering, and mathematics curriculum.

GRADS Child Care CYFD (28189) – To account for an agreement to provide childcare services in conjunction with the Graduation, Reality, and Dual Role Skills Program. Funding is provided by State of New Mexico Children Youth and Families Department.

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LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2018**

GRADS Instruction (28190) – To provide grants to States, Territories, or Tribes to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193. This was fund 25162 in the prior year.

Safe Routes to School DOH (28199) – To account for monies received from the Department of Health to expand opportunities to promote safe routes to schools within the District and to encourage active living for children where they live, learn, and play.

GRADS PLUS (28203) – The purpose of GRADS PLUS funding is to support a shared case management model between the GRADS program, school, and community partners.

Private Dir Grants (Categorical) (29102) – To account for local grants awarded to provide additional funding for specific projects. The French award was used to help students become physically fit.

School Based Health Centers (29130) – To account for funds administered by the Department of Health and the County of Dona Ana in support of providing Primary Care and Mental Health Service on school campus.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
CAPITAL PROJECTS FUNDS
JUNE 30, 2018**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The District has the following separate funds classified as Capital Projects Funds:

Special Capital Outlay – Local (31300) – To account for revenues that are derived from local sources, such as the sale of a building.

Capital Improvements SB9 State Match (31700) – To account for erecting, remodeling, making additions to, and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching. (22-25-1 to 22-25-10 NMSA 1978).

Capital Improvements SB9 Local Fund (31701) – To account for erecting, remodeling, making additions to, and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as identified by the local school board. Financing is provided by a special tax levy as authorized by the Public School District Capital Improvements Act. (22-25-1 to 22-25-10 NMSA 1978).

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

	SPECIAL REVENUE FUNDS					
	21000	22000	23000	24103	24108	24109
	Food Services	Athletics	Non-Instructional Materials	Migrant Children Education IASA	New Mexico Autism Project	Preschool IDEA-B
ASSETS						
Cash and Cash Equivalents	\$ 7,714,503	\$ 661,471	\$ 1,075,156	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	-	-	-	8,107	5,110	36,926
Interfund Receivables	-	-	-	-	-	-
Other Receivables	340	-	-	-	-	-
Inventory	437,623	-	-	-	-	-
Total Assets	\$ 8,152,466	\$ 661,471	\$ 1,075,156	\$ 8,107	\$ 5,110	\$ 36,926
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ 39,216	\$ -	\$ 35,374	\$ -	\$ -	\$ -
Due to Government	-	-	-	-	-	-
Accrued Expenses	360,146	2,681	28,655	374	-	6,099
Interfund Payables	-	-	-	7,733	5,110	30,827
Total Liabilities	399,362	2,681	64,029	8,107	5,110	36,926
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	437,623	-	-	-	-	-
Restricted by Grantor	7,315,481	658,790	1,011,127	-	-	-
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	7,753,104	658,790	1,011,127	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,152,466	\$ 661,471	\$ 1,075,156	\$ 8,107	\$ 5,110	\$ 36,926

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

SPECIAL REVENUE FUNDS							
24112	24113	24115	24118	24153	24154	24162	24163
IDEA-B Early Intervention	Education of Homeless	IDEA-B Private Schools	Fresh Fruits & Vegetables USDA	English Language Acquisition	Teacher/Principal Training & Recruiting	Title I School Improvement	Title III Immigrant Student Education Pgm.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
51,627	22,962	39	115,384	133,790	676,753	21,401	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 51,627</u>	<u>\$ 22,962</u>	<u>\$ 39</u>	<u>\$ 115,384</u>	<u>\$ 133,790</u>	<u>\$ 676,753</u>	<u>\$ 21,401</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,046	\$ -	\$ -
-	-	-	-	-	-	-	-
9,757	-	-	1,009	6,257	85,132	8,873	-
41,870	22,962	39	114,375	127,533	589,575	12,528	-
51,627	22,962	39	115,384	133,790	676,753	21,401	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 51,627</u>	<u>\$ 22,962</u>	<u>\$ 39</u>	<u>\$ 115,384</u>	<u>\$ 133,790</u>	<u>\$ 676,753</u>	<u>\$ 21,401</u>	<u>\$ -</u>

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

	SPECIAL REVENUE FUNDS					
	24174	24175	24176	24180	24181	24182
	Carl D. Perkins Secondary Current	Carl D. Perkins Secondary PY Obligation	Carl D. Perkins Secondary Redistribution	Carl D. Perkins High Schools that Work - Current	Carl D. Perkins High Schools that Work - Prior Year	Carl D. Perkins High Schools that Work - Redistribution
ASSETS						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	73,501	-	7,397	45,518	-	-
Interfund Receivables	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total Assets	\$ 73,501	\$ -	\$ 7,397	\$ 45,518	\$ -	\$ -
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ 26,971	\$ -	\$ 4,995	\$ -	\$ -	\$ -
Due to Government	-	-	-	-	-	-
Accrued Expenses	-	-	-	-	-	-
Interfund Payables	46,530	-	2,402	45,518	-	-
Total Liabilities	73,501	-	7,397	45,518	-	-
	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted by Grantor	-	-	-	-	-	-
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 73,501	\$ -	\$ 7,397	\$ 45,518	\$ -	\$ -

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

SPECIAL REVENUE FUNDS							
24187	24189	25127	25129	25145	25146	25150	25153
Migrant Regional Recruiting	Student Support and Academic Enrichment Grants	Headstart	Title XX - Health & Social Services	Impact Aid Special Education	Safe Routes to School NMDOT	Food Stamps Nutrition	Title XIX MEDICAID 3/1 Years
\$ -	\$ -	\$ -	\$ 8,628	\$ 15,679	\$ -	\$ -	\$ 6,764,198
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,617	64,185	633,783	-	-	14,121	68,631	283,515
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 11,617</u>	<u>\$ 64,185</u>	<u>\$ 633,783</u>	<u>\$ 8,628</u>	<u>\$ 15,679</u>	<u>\$ 14,121</u>	<u>\$ 68,631</u>	<u>\$ 7,047,713</u>
\$ 261	\$ 1,790	\$ 49,956	\$ -	\$ -	\$ -	\$ 366	\$ 5,713
-	-	-	-	-	-	-	-
2,633	439	162,946	8,628	-	2,801	872	145,849
8,723	61,956	420,881	-	-	11,320	67,393	-
11,617	64,185	633,783	8,628	-	14,121	68,631	151,562
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	15,679	-	-	6,896,151
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	15,679	-	-	6,896,151
<u>\$ 11,617</u>	<u>\$ 64,185</u>	<u>\$ 633,783</u>	<u>\$ 8,628</u>	<u>\$ 15,679</u>	<u>\$ 14,121</u>	<u>\$ 68,631</u>	<u>\$ 7,047,713</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

	SPECIAL REVENUE FUNDS					
	26136	26141	26153	26204	27103	27107
	SCIAD	Daniels Funds	Paseo Del Norte Health Foundation	Spaceport GRT Grant Dona Ana County	Dual Credit Instructional Materials	2012 GO Bond Public School Library
ASSETS						
Cash and Cash Equivalents	\$ 61	\$ 1,281	\$ 57,364	\$ 1,444,778	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	13,580	159,287
Interfund Receivables	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total Assets	\$ 61	\$ 1,281	\$ 57,364	\$ 1,444,778	\$ 13,580	\$ 159,287
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ 31,389	\$ -	\$ 296
Due to Government	-	-	-	-	-	-
Accrued Expenses	-	-	2,697	55,122	-	-
Interfund Payables	-	-	-	-	13,580	158,991
Total Liabilities	-	-	2,697	86,511	13,580	159,287
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted by Grantor	61	1,281	54,667	1,358,267	-	-
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	61	1,281	54,667	1,358,267	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 61	\$ 1,281	\$ 57,364	\$ 1,444,778	\$ 13,580	\$ 159,287

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

SPECIAL REVENUE FUNDS							
27141	27149	27155	27166	27183	27195	28120	28160
Truancy Initiative	New Mexico PreK Program	Breakfast for Elementary Students	Kindergarten Three Plus	NM Grown FVV	Teachers Hard to Staff Stipend	AFSC Local Vegetables and Fruits	Regn. Alliance Science/Eng/Math NMSU
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,862
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
106,071	99,856	7,855	-	-	61,563	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 106,071</u>	<u>\$ 99,856</u>	<u>\$ 7,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,563</u>	<u>\$ -</u>	<u>\$ 5,862</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
23,540	-	-	-	-	-	-	-
82,531	99,856	7,855	-	-	61,563	-	-
<u>106,071</u>	<u>99,856</u>	<u>7,855</u>	<u>-</u>	<u>-</u>	<u>61,563</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,862
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 106,071</u>	<u>\$ 99,856</u>	<u>\$ 7,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,563</u>	<u>\$ -</u>	<u>\$ 5,862</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

	SPECIAL REVENUE FUNDS					
	28189	28190	28199	28203	29102	29130
	GRADS Child Care CYFD	GRADS Instruction	Safe Routes to School DOH	GRADS PLUS	Private Dir. Grants (Categorical)	School Based Health Centers
ASSETS						
Cash and Cash Equivalents	\$ 1,654	\$ (4,384)	\$ 25,014	\$ -	\$ 22,697	\$ 9,088
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	-	4,384	-	-	-	-
Interfund Receivables	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total Assets	<u>\$ 1,654</u>	<u>\$ -</u>	<u>\$ 25,014</u>	<u>\$ -</u>	<u>\$ 22,697</u>	<u>\$ 9,088</u>
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Government	-	-	-	-	-	-
Accrued Expenses	-	-	145	-	-	-
Interfund Payables	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>145</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted by Grantor	1,654	-	24,869	-	22,697	9,088
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>1,654</u>	<u>-</u>	<u>24,869</u>	<u>-</u>	<u>22,697</u>	<u>9,088</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,654</u>	<u>\$ -</u>	<u>\$ 25,014</u>	<u>\$ -</u>	<u>\$ 22,697</u>	<u>\$ 9,088</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

	CAPITAL PROJECT FUNDS					
	31300	31700	31701			
Total Special Revenue Funds	Special Capital Outlay	Capital Improvements SB9 State Match	Capital Improvements SB9 Local Fund	Total Capital Project Funds	Total All Non-Major Funds	
\$ 17,803,050	\$ 967,939	\$ -	\$ 4,002,629	\$ 4,970,568	\$ 22,773,618	
-	-	-	24,819	24,819	24,819	
-	-	-	489,703	489,703	489,703	
2,726,963	-	461,996	-	461,996	3,188,959	
-	-	-	-	-	-	
340	-	-	36	36	376	
437,623	-	-	-	-	437,623	
<u>\$ 20,967,976</u>	<u>\$ 967,939</u>	<u>\$ 461,996</u>	<u>\$ 4,517,187</u>	<u>\$ 5,947,122</u>	<u>\$ 26,915,098</u>	
\$ 198,373	\$ -	\$ -	\$ 295,731	\$ 295,731	\$ 494,104	
-	-	-	325	325	325	
914,655	-	-	-	-	914,655	
2,041,651	-	461,996	-	461,996	2,503,647	
3,154,679	-	461,996	296,056	758,052	3,912,731	
-	-	-	388,657	388,657	388,657	
437,623	-	-	-	-	437,623	
17,375,674	-	-	-	-	17,375,674	
-	967,939	-	3,832,474	4,800,413	4,800,413	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>17,813,297</u>	<u>967,939</u>	<u>-</u>	<u>3,832,474</u>	<u>4,800,413</u>	<u>22,613,710</u>	
<u>\$ 20,967,976</u>	<u>\$ 967,939</u>	<u>\$ 461,996</u>	<u>\$ 4,517,187</u>	<u>\$ 5,947,122</u>	<u>\$ 26,915,098</u>	

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018**

	SPECIAL REVENUE FUNDS					
	21000	22000	23000	24103	24108	24109
	Food Services	Athletics	Non-Instructional Materials	Migrant Children Education IASA	New Mexico Autism Project	Preschool IDEA-B
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-	-	-
Federal Grants	11,900,676	-	-	102,561	5,166	114,223
Charges for Services	1,776,543	487,063	1,525,418	-	-	-
Miscellaneous	-	-	15,089	-	-	-
Local and Private Sources	-	-	-	-	-	-
Interest	6,351	876	1,097	-	-	-
Total Revenues	13,683,570	487,939	1,541,604	102,561	5,166	114,223
EXPENDITURES						
Current:						
Instruction	-	703,415	1,735,397	61,772	2,520	109,157
Support Services:						
Students	-	-	-	3,532	2,517	2,215
Instruction	-	-	-	10,772	-	-
General Administration	310,314	-	-	2,593	129	2,851
School Administration	-	-	-	5,158	-	-
Central Services	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	402	-	-
Student Transportation	-	-	-	18,332	-	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	13,623,653	-	-	-	-	-
Community Service	-	-	-	-	-	-
Facilities, Materials, and Supplies	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	13,933,967	703,415	1,735,397	102,561	5,166	114,223
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(250,397)	(215,476)	(193,793)	-	-	-
OTHER FINANCING SOURCES (USES)						
Proceeds from Bond Issues	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(250,397)	(215,476)	(193,793)	-	-	-
Fund Balances - Beginning of Year	8,003,501	874,266	1,204,920	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ 7,753,104</u>	<u>\$ 658,790</u>	<u>\$ 1,011,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

SPECIAL REVENUE FUNDS							
24112	24113	24115	24118	24153	24154	24162	24163
IDEA-B Early Intervention	Education of Homeless	IDEA-B Private Schools	Fresh Fruits & Vegetables USDA	English Language Acquisition	Teacher/Principal Training & Recruiting	Title I School Improvement	Title III Immigrant Student Education Pgm.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
209,926	43,360	3,514	403,139	317,391	1,373,987	127,872	21,936
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
209,926	43,360	3,514	403,139	317,391	1,373,987	127,872	21,936
-	35,711	3,426	-	255,115	580,462	126,093	21,936
-	6,567	-	-	2,912	2,156	-	-
71,568	-	-	-	2,714	743,524	-	-
5,240	1,082	88	-	9,182	34,398	1,779	-
133,118	-	-	-	16,155	13,447	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	14,000	-	-	-
-	-	-	-	-	-	-	-
-	-	-	403,139	-	-	-	-
-	-	-	-	17,313	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
209,926	43,360	3,514	403,139	317,391	1,373,987	127,872	21,936
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	SPECIAL REVENUE FUNDS					
	24174	24175	24176	24180	24181	24182
	Carl D. Perkins Secondary Current	Carl D. Perkins Secondary PY Obligation	Carl D. Perkins Secondary Redistribution	Carl D. Perkins High Schools that Work - Current	Carl D. Perkins High Schools that Work - Prior Year	Carl D. Perkins High Schools that Work - Redistribution
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-	-	-
Federal Grants	242,977	7,181	17,349	85,925	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Local and Private Sources	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Revenues	242,977	7,181	17,349	85,925	-	-
EXPENDITURES						
Current:						
Instruction	231,028	7,181	17,041	80,139	-	-
Support Services:						
Students	-	-	-	466	-	-
Instruction	182	-	-	-	-	-
General Administration	5,536	-	308	2,145	-	-
School Administration	6,036	-	-	3,175	-	-
Central Services	195	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-
Community Service	-	-	-	-	-	-
Facilities, Materials, and Supplies	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	242,977	7,181	17,349	85,925	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	-	-
OTHER FINANCING SOURCES (USES)						
Proceeds from Bond Issues	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

SPECIAL REVENUE FUNDS							
24187	24189	25127	25129	25145	25146	25150	25153
Migrant Regional Recruiting	Student Support and Academic Enrichment Grants	Headstart	Title XX - Health & Social Services	Impact Aid Special Education	Safe Routes to School NMDOT	Food Stamps Nutrition	Title XIX MEDICAID 3/1 Years
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
126,512	64,185	2,717,917	49,190	-	33,502	203,154	3,638,643
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,015
126,512	64,185	2,717,917	49,190	-	33,502	203,154	3,643,658
3,350	34,961	1,440,780	49,190	-	-	-	-
118,098	23,619	862,442	-	-	33,502	-	2,475,648
-	2,003	283,241	-	-	-	-	-
3,154	1,557	63,553	-	-	-	5,197	-
-	2,045	-	-	-	-	-	-
-	-	710	-	-	-	-	364
1,910	-	10,821	-	-	-	-	3,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	197,957	-
-	-	1,027	-	-	-	-	-
-	-	55,343	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
126,512	64,185	2,717,917	49,190	-	33,502	203,154	2,479,012
-	-	-	-	-	-	-	1,164,646
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,164,646
-	-	-	-	15,679	-	-	5,731,505
\$ -	\$ -	\$ -	\$ -	\$ 15,679	\$ -	\$ -	\$ 6,896,151

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	SPECIAL REVENUE FUNDS					
	26136	26141	26153	26204	27103	27107
	SCIAD	Daniels Funds	Paseo Del Norte Health Foundation	Spaceport GRT Grant Dona Ana County	Dual Credit Instructional Materials	2012 GO Bond Public School Library
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-	90,534	173,490
Federal Grants	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Local and Private Sources	-	-	157,131	1,383,203	-	-
Interest	-	-	-	1,043	-	-
Total Revenues	-	-	157,131	1,384,246	90,534	173,490
EXPENDITURES						
Current:						
Instruction	-	-	134,112	1,240,254	90,534	-
Support Services:						
Students	-	5,090	17,735	4,500	-	-
Instruction	-	-	-	258,146	-	173,490
General Administration	-	-	4,189	40,291	-	-
School Administration	-	-	-	-	-	-
Central Services	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-
Community Service	-	4,576	11,794	-	-	-
Facilities, Materials, and Supplies	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	-	9,666	167,830	1,543,191	90,534	173,490
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(9,666)	(10,699)	(158,945)	-	-
OTHER FINANCING SOURCES (USES)						
Proceeds from Bond Issues	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	-	(9,666)	(10,699)	(158,945)	-	-
Fund Balances - Beginning of Year	61	10,947	65,366	1,517,212	-	-
FUND BALANCES - END OF YEAR	<u>\$ 61</u>	<u>\$ 1,281</u>	<u>\$ 54,667</u>	<u>\$ 1,358,267</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

SPECIAL REVENUE FUNDS							
27141	27149	27155	27166	27183	27195	28120	28160
Truancy Initiative	New Mexico PreK Program	Breakfast for Elementary Students	Kindergarten Three Plus	NM Grown FVV	Teachers Hard to Staff Stipend	AFSC Local Vegetables and Fruits	Regn. Alliance Science/Eng/Math NMSU
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
387,899	99,856	75,632	2,080,518	-	220,904	7,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
387,899	99,856	75,632	2,080,518	-	220,904	7,000	-
-	98,866	-	1,349,552	-	220,904	-	-
387,899	-	-	127,311	-	-	-	-
-	-	-	35,075	-	-	-	-
-	990	-	-	-	-	-	-
-	-	-	130,590	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	7,695	-	-	-	-
-	-	-	430,295	-	-	-	-
-	-	-	-	-	-	-	-
-	-	75,632	-	-	-	7,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
387,899	99,856	75,632	2,080,518	-	220,904	7,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,862
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,862

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	SPECIAL REVENUE FUNDS					
	28189	28190	28199	28203	29102	29130
	GRADS Child Care CYFD	GRADS Instruction	Safe Routes to School DOH	GRADS PLUS	Private Dir. Grants (Categorical)	School Based Health Centers
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	-	4,384	10,000	-	-	-
Federal Grants	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Local and Private Sources	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Revenues	-	4,384	10,000	-	-	-
EXPENDITURES						
Current:						
Instruction	1,654	4,186	-	-	-	-
Support Services:						
Students	-	198	21,307	-	-	4,235
Instruction	-	-	-	-	-	-
General Administration	-	-	-	-	-	-
School Administration	-	-	-	-	-	-
Central Services	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-
Community Service	-	-	-	-	-	-
Facilities, Materials, and Supplies	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	1,654	4,384	21,307	-	-	4,235
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,654)	-	(11,307)	-	-	(4,235)
OTHER FINANCING SOURCES (USES)						
Proceeds from Bond Issues	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,654)	-	(11,307)	-	-	(4,235)
Fund Balances - Beginning of Year	3,308	-	36,176	-	22,697	13,323
FUND BALANCES - END OF YEAR	<u>\$ 1,654</u>	<u>\$ -</u>	<u>\$ 24,869</u>	<u>\$ -</u>	<u>\$ 22,697</u>	<u>\$ 9,088</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

CAPITAL PROJECT FUNDS					
	31300	31700	31701		
Total Special Revenue Funds	Special Capital Outlay	Capital Improvements SB9 State Match	Capital Improvements SB9 Local Fund	Total Capital Project Funds	Total All Non-Major Funds
\$ -	\$ -	\$ -	\$ 6,589,533	\$ 6,589,533	\$ 6,589,533
3,150,217	-	249,182	-	249,182	3,399,399
21,810,286	-	-	-	-	21,810,286
3,789,024	-	-	-	-	3,789,024
15,089	3,998	-	-	3,998	19,087
1,540,334	588,347	-	-	588,347	2,128,681
14,382	9,333	-	30,376	39,709	54,091
30,319,332	601,678	249,182	6,619,909	7,470,769	37,790,101
8,638,736	-	-	-	-	8,638,736
4,101,949	-	-	-	-	4,101,949
1,580,715	-	-	-	-	1,580,715
494,576	-	-	66,028	66,028	560,604
309,724	-	-	-	-	309,724
1,269	-	-	-	-	1,269
23,828	-	-	-	-	23,828
462,627	-	-	-	-	462,627
-	-	-	-	-	-
14,307,381	-	-	-	-	14,307,381
34,710	-	-	-	-	34,710
55,343	1,761,731	249,182	6,377,558	8,388,471	8,443,814
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
30,010,858	1,761,731	249,182	6,443,586	8,454,499	38,465,357
308,474	(1,160,053)	-	176,323	-	308,474
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
308,474	(1,160,053)	-	176,323	(983,730)	(675,256)
17,504,823	2,127,992	-	3,656,151	5,784,143	23,288,966
\$ 17,813,297	\$ 967,939	\$ -	\$ 3,832,474	\$ 4,800,413	\$ 22,613,710

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
(REQUIRED BY 2.2.2 NMAC)
YEAR ENDED JUNE 30, 2018**

	Balance June 30, 2017	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2018
Alameda Elementary	\$ 7,541	\$ 17,005	\$ 10,515	\$ -	\$ 14,031
BT Washington Elementary	174	-	122	-	52
Cesar Chavez	1,759	-	-	-	1,759
Columbia Elementary	489	735	1,015	-	209
Conlee Elementary	8,834	8,389	11,683	-	5,540
Dona Ana Elementary	882	196	539	-	539
Desert Hills Elementary	14,120	16,939	14,439	-	16,620
East Picacho Elementary	41,133	30,211	26,462	-	44,882
Fairacres Elementary	10,629	8,496	7,869	-	11,256
Hermosa Height Elementary	1,009	5,415	2,901	-	3,523
Highland Elementary	1,594	6,432	2,620	-	5,406
Hillrise Elementary	825	-	-	-	825
Jornada Elementary	2,673	2,645	3,034	-	2,284
Loma Heights Elementary	507	-	-	-	507
MacArthur Elementary	164	745	824	-	85
Mesilla Elementary	2,173	161	55	-	2,279
Mesilla Park Elementary	19	676	806	-	(111)
Monte Vista Elementary	158	-	-	-	158
Sunrise Elementary	226	-	-	-	226
Tombaugh Elementary	1,913	2,649	2,402	-	2,160
University Hills Elementary	453	(10)	328	-	115
Valley View Elementary	-	-	-	-	-
White Sands Elem/Mid	5,843	5,319	6,171	-	4,991
Camino Real Mid School	25,804	48,103	47,185	-	26,722
Lynn Mid School	43,589	159,125	147,043	-	55,671
Mesa Mid School	2,201	18,703	19,311	-	1,593
Picacho Mid School	15,982	28,063	26,335	-	17,710
Sierra Mid School	49,291	31,268	57,344	-	23,215
Vista Mid School	64	26,473	24,924	-	1,613
Zia Mid School	3,765	4,830	5,785	-	2,810
Centennial High School	55,446	109,800	104,490	-	60,756
Las Cruces High School	100,062	165,196	172,073	-	93,185
Mayfield High School	130,755	136,445	145,176	-	122,024
Ocate High School	53,461	106,034	110,081	-	49,414
Rio Grande Preparatory High School	5,291	23,802	16,211	-	12,882
Early College High School	37,181	47,182	46,443	-	37,920
District	164,642	84,810	198,284	-	51,168
Expendable Trust	5,415	55,343	19,449	-	41,309
Non-Expendable Trust	500	-	-	-	500
Certificates of Deposit	5,101	1	-	-	5,102
Total All Schools	\$ 801,668	\$ 1,151,181	\$ 1,231,919	\$ -	\$ 720,930
Liabilities - Funds Held for the Benefit of Others*					\$ 720,930

* The FDIC has issued an option that, due to the fiduciary nature of these funds, each school is independently insured at each financial institution up to a maximum of \$250,000. District policy states that no school can maintain more than \$250,000 in any one financial institution.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF COLLATERAL PLEDGED BY
DEPOSITORY FOR PUBLIC FUNDS
(REQUIRED BY 2.2.2 NMAC)
JUNE 30, 2018**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Face Value or Fair Market Value</u>
<u>First American Bank</u>				
	FHLB	8/1/2019	257584AK8	\$ 175,520
	FHLB	8/1/2021	883005CH1	85,145
Location of Safekeeper: 303 W. Main St., Artesia, NM 88210			Total First American Bank	260,665
<u>Citizens Bank of Las Cruces</u>				
	FHLB	8/15/2018	3133X0PF0	2,010,164
	FHLB	8/15/2018	3133X0PF0	2,609,188
	FHLB	12/14/2018	3133XSUN6	2,016,518
	FHLB	1/6/2021	3133ECNP5	1,942,244
	FHLB	9/10/2021	313383ZU8	1,510,931
	FHLB	12/10/2021	3130A0EN6	2,734,088
	FHLB	2/28/2022	313382CK7	1,010,431
	FHLB	3/11/2022	313378CR0	2,450,838
	FHLB	3/8/2024	3130A3E59	2,028,412
	FHLB	12/13/2024	3135G0RT2	1,963,960
	FFCB	10/10/2025	3130A3GE8	1,932,612
	FHLB	11/7/2025	3130A0XE5	1,927,094
	FHLB	3/13/2026	3130AAUF3	1,947,782
	FHLB	9/11/2026	3130A2VE3	1,980,630
Location of Safekeeper: P.O. Box 2018, Las Cruces, NM 88004			Total Citizens Bank of Las Cruces	28,064,892
<u>US Bank</u>				
	Letter of Credit	7/2/2018	524774	3,500,000,000
Location of Safekeeper: 221 E. 4th Street, Cincinnati, OH 45202			Total US Bank	3,500,000,000
<u>Wells Fargo Bank</u>				
	FNMA	5/1/1931	3140F4JS6	8,656,184
Location of Safekeeper: One Wall Street, New York, NY 10286			Total Wells Fargo Bank	8,656,184
			Total	<u>\$ 3,536,981,741</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF CASH AND TEMPORARY INVESTMENTS
(REQUIRED BY 2.2.2 NMAC)
JUNE 30, 2018**

Bank Account Type	Bank of America	Wells Fargo Bank	Citizens	US Bank	First American Bank	Total
Checking - Accounts Payable Clearing	\$ -	\$ 1,084,900	\$ -	\$ -	\$ -	\$ 1,084,900
Checking - Payroll Clearing	-	14,294,423	-	-	-	14,294,423
Certificate of Deposit	2,302	-	2,800	-	-	5,102
Checking - Food Service	-	-	7,403,167	-	-	7,403,167
Checking - Operational Account	-	-	9,563,182	-	-	9,563,182
Checking - Bond Building Account	-	-	27,788,991	-	-	27,788,991
Certificate of Deposit	-	-	-	-	-	-
Certificate of Deposit	-	-	-	-	-	-
Checking - Debt Service	-	-	-	86,270	-	86,270
Checking - Activity	-	-	-	1,111,570	-	1,111,570
Checking - Activity Investment	-	-	-	1,214,569	-	1,214,569
Checking - Federal Programs Direct Account	-	-	-	-	80,332	80,332
Total on Deposit	2,302	15,379,323	44,758,140	2,412,409	80,332	62,632,506
Reconciling Items	-	(15,382,977)	12,562,102	(13,459)	-	(2,834,334)
Reconciled Balance - June 30, 2018	<u>\$ 2,302</u>	<u>\$ (3,654)</u>	<u>\$ 57,320,242</u>	<u>\$ 2,398,950</u>	<u>\$ 80,332</u>	59,798,172
Investments with State of New Mexico Treasurer's Office						27,040,967
Plus: Petty Cash						-
Plus: Cash with Fiscal Agent						61,233
Subtotal						<u>86,900,372</u>
Less: Fiduciary Funds Cash						<u>(720,930)</u>
Cash and Investments per Government-Wide Financial Statements						<u>\$ 86,179,442</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
CASH RECONCILIATION SCHEDULE
(REQUIRED BY 2.2.2 NMAC)
YEAR ENDED JUNE 30, 2018**

	Operational Account 11000	Pupil Transportation 13000	Instructional Materials 14000	Food Services 21000	Athletics Fund 22000	Student Activity 23000	Projects Account 24000	Direct Account 25000	Grants Fund 26000
June 30, 2017 Cash Available to Budget	\$ 11,852,088	\$ -	\$ 387,553	\$ 7,503,797	\$ 874,407	\$ 1,222,952	\$ (4,461,601)	\$ 4,866,585	\$ 1,694,434
2017-2018 Revenue	184,310,318	3,981,163	774,613	12,822,064	487,939	1,541,754	15,148,615	6,552,988	1,541,377
2017-2018 Expenditures	(178,524,052)	(3,981,163)	(943,623)	(12,971,164)	(703,523)	(1,716,691)	(15,878,475)	(5,451,748)	(1,791,660)
Permanent Cash Transfers/Reversions	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-
June 30, 2018 Cash Available to Budget	17,638,354	-	218,543	7,354,697	658,823	1,048,015	(5,191,461)	5,967,825	1,444,151
June 30, 2018 Payroll Liabilities	11,083,262	-	-	360,142	2,681	28,655	798,483	321,086	57,819
June 30, 2018 Temporary Interfund Loans	(5,905,552)	-	-	-	-	-	4,519,580	429,636	-
June 30, 2018 Adjustments/Reconciling Differences	(1,598)	-	-	(336)	(33)	(1,514)	(126,602)	69,958	1,514
June 30, 2018 Cash (Book Balance)	<u>\$ 22,814,466</u>	<u>\$ -</u>	<u>\$ 218,543</u>	<u>\$ 7,714,503</u>	<u>\$ 661,471</u>	<u>\$ 1,075,156</u>	<u>\$ -</u>	<u>\$ 6,788,505</u>	<u>\$ 1,503,484</u>
Reconciliation to PED Cash Report Line 7									
June 30, 2018 Cash (Book Balance)	\$ 22,814,466	\$ -	\$ 218,543	\$ 7,714,503	\$ 661,471	\$ 1,075,156	\$ -	\$ 6,788,505	\$ 1,503,484
June 30, 2018 Payroll Liabilities	(11,083,262)	-	-	(360,142)	(2,681)	(28,655)	(798,483)	(321,086)	(57,819)
June 30, 2018 Temporary Interfund Loans	5,905,552	-	-	-	-	-	(4,519,580)	(429,636)	-
Audit adjustments and reclassifications	(85)	-	-	336	-	-	-	-	-
Line 7 PED Cash Report June 30, 2018 *	<u>\$ 17,636,671</u>	<u>\$ -</u>	<u>\$ 218,543</u>	<u>\$ 7,354,697</u>	<u>\$ 658,790</u>	<u>\$ 1,046,501</u>	<u>\$ (5,318,063)</u>	<u>\$ 6,037,783</u>	<u>\$ 1,445,665</u>

* May include rounding errors when compared to PED Cash Report

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
CASH RECONCILIATION SCHEDULE
(REQUIRED BY 2.2.2 NMAC) (CONTINUED)
YEAR ENDED JUNE 30, 2018**

	State Flowthrough Fund 27000	State Direct Account 28000	Local/State Account 29000	Bond Building Fund 31100	Special Capital Outlay 31300	Capital Improve. HB 33 31600	Debt Service 41000	Capital Improve. State SB9 31700	Capital Improve. Local SB9 31701	Total Primary Government
June 30, 2017 Cash Available to Budget	\$ (127,139)	\$ 11,224	\$ 36,021	\$ 6,621,986	\$ 2,661,796	\$ 12,146,894	\$ 14,850,180	\$ (1,952,744)	\$ 3,814,820	\$ 62,003,253
2017-2018 Revenue	2,807,760	49,468	-	20,154,962	601,678	9,876,251	15,602,457	1,969,300	6,616,569	284,839,276
2017-2018 Expenditures	(3,028,681)	(32,691)	(4,235)	(11,084,138)	(2,295,535)	(9,659,073)	(13,472,536)	(461,997)	(6,420,696)	(268,421,681)
Permanent Cash Transfers/Reversions	-	-	-	-	-	-	-	(1,833,500)	1,833,500	-
Adjustments	-	-	-	-	-	-	-	-	-	-
June 30, 2018 Cash Available to Budget	(348,060)	28,001	31,786	15,692,810	967,939	12,364,072	16,980,101	(2,278,941)	5,844,193	78,420,848
June 30, 2018 Payroll Liabilities	23,540	145	-	-	-	-	-	-	-	12,675,813
June 30, 2018 Temporary Interfund Loans	75,826	-	-	-	-	-	-	143,769	-	(736,741)
June 30, 2018 Adjustments/Reconciling Differences	248,694	-	(1)	(4,766,943)	-	15,083	62,873	2,135,172	(1,816,745)	(4,180,478)
June 30, 2018 Cash (Book Balance)	<u>\$ -</u>	<u>\$ 28,146</u>	<u>\$ 31,785</u>	<u>\$ 10,925,867</u>	<u>\$ 967,939</u>	<u>\$ 12,379,155</u>	<u>\$ 17,042,974</u>	<u>\$ -</u>	<u>\$ 4,027,448</u>	<u>\$ 86,179,442</u>
Reconciliation to PED Cash Report Line 7										
June 30, 2018 Cash (Book Balance)	\$ -	\$ 28,146	\$ 31,785	\$ 10,925,867	\$ 967,939	\$ 12,379,155	\$ 17,042,974	\$ -	\$ 4,027,448	\$ 86,179,442
June 30, 2018 Payroll Liabilities	(23,540)	(145)	-	-	-	-	-	-	-	(12,675,813)
June 30, 2018 Temporary Interfund Loans	(75,826)	-	-	(45,518)	-	-	-	(143,769)	-	691,223
Audit adjustments and reclassifications	-	-	-	-	-	(15,083)	(62,873)	(2,135,172)	-	(2,212,877)
Line 7 PED Cash Report June 30, 2018 *	<u>\$ (99,366)</u>	<u>\$ 28,001</u>	<u>\$ 31,785</u>	<u>\$ 10,880,349</u>	<u>\$ 967,939</u>	<u>\$ 12,364,072</u>	<u>\$ 16,980,101</u>	<u>\$ (2,278,941)</u>	<u>\$ 4,027,448</u>	<u>\$ 71,981,975</u>

* May include rounding errors when compared to PED Cash Report

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Participating Expenditures
U.S. Department of Health and Human Services			
Direct U.S. Department of Health and Human Services Head Start	93.600	25127	\$ 2,717,917
Total U.S. Department of Health and Human Services			2,717,917
U.S. Department of Education			
Pass-Through State of New Mexico Department of Education:			
Special Education - Grants to States	84.027	24106	5,998,261
Special Education - Grants to States	84.027	24112	209,926
Special Education - Grants to States	84.027	24108	5,166
IDEA Private School Share	84.027	24115	3,514
Total Special Education - Grants to States			6,216,867
Special Education - Preschool Grants:	84.173	24109	114,223
Total Special Education Cluster (IDEA)			6,331,090
Title I Grants to Local Educational Agencies	84.010	24101	6,779,625
Title I Grants to Local Educational Agencies	84.010	24162	127,872
Total Title I Grants to Local Educational Agencies			6,907,497
Migrant Education - State Grant Program	84.011	24103	102,561
Migrant Education - State Grant Program	84.011	24187	126,512
Total Migrant Education - State Grant Program			229,073
Career and Technical Education - Basic Grants to States	84.048	24174	242,977
Career and Technical Education - Basic Grants to States	84.048	24175	7,181
Career and Technical Education - Basic Grants to States	84.048	24176	17,349
Career and Technical Education - Basic Grants to States	84.048	24180	85,925
Career and Technical Education - Basic Grants to States	84.048	24181	-
Career and Technical Education - Basic Grants to States	84.048	24182	-
Total Career and Technical Education - Basic Grants to States			353,432
Education for Homeless Children and Youth	84.196	24113	43,360
Twenty-First Century Community Learning Centers	84.287	24119	-
English Language Acquisition State Grants	84.365	24153	317,391
Title III Immigrant Proposal (English Language Acquisition)	84.365	24163	21,936
Improving Teacher Quality State Grants	84.367	24154	1,373,987
Title IV Student Support and Academic Enrichment	84.424	24189	64,185
Total U.S. Department of Education			15,641,951
U.S. Department of Transportation			
Pass-Through State of New Mexico Department of Education:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	25146	33,502
Total U.S. Department of Transportation			33,502

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2018**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Participating Expenditures
U.S. Department of Agriculture			
Pass-Through State of New Mexico Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	21000	\$ 3,674,990
National School Lunch Program	10.555	21000	7,189,422
Special Milk Program for Children	10.556	21000	170,587
Pass-Through State of New Mexico Human Services Department:			
National School Lunch Program - Commodities	10.555	21000	861,649
Total Child Nutrition Cluster			<u>11,896,648</u>
 Fresh Fruit and Vegetable Program	 10.582	 24118	 403,139
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition	10.561	25150	203,154
Pass-Through State of New Mexico Children, Youth, and Families Dept.:			
Child and Adult Care Food Program	10.558	25129	<u>49,190</u>
 Total U.S. Department of Agriculture			 <u>12,552,131</u>
 Total Federal Assistance			 <u><u>\$ 30,945,501</u></u>

**Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:
Primary Government**

Total Federal Awards Expended per Schedule of Expenditures of Federal Awards	\$ 30,945,501
Total Expenditures Funded by Other Sources	<u>236,899,281</u>
Total Expenditures, Governmental Funds	<u><u>\$ 267,844,782</u></u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Las Cruces Public Schools (District) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flow of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), where certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimis indirect cost rate allowed under the uniform guidance.

NOTE 3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the District did not provide any federal awards to subrecipients.

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
State of New Mexico
Las Cruces Public School District No. 2 and
Mr. Wayne Johnson, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and each major special revenue fund and the aggregate remaining fund information of Las Cruces Public School District No. 2 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Education
State of New Mexico
Las Cruces Public School District No. 2 and
Mr. Wayne Johnson, New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-003, 2018-004, 2018-005, and 2018-006.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 15, 2018

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
State of New Mexico
Las Cruces Public School District No. 2
and Mr. Wayne Johnson, New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited Las Cruces Public School District No. 2's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Education
State of New Mexico
Las Cruces Public School District No. 2 and
Mr. Wayne Johnson, New Mexico State Auditor

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 15, 2018

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings, disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☒ yes ☐ no

Identification of Major Federal Programs:

CFDA Numbers

10.553/10.555/10.556
84.IDEA

Name of Federal Program

Child Nutrition Cluster
Special Education – IDEA

Dollar threshold used to distinguish between Type A and Type B programs: \$928,365

Auditee qualified as low-risk auditee? ☐ yes ☒ no

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings

There were no findings in FY18.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs

2018-001 Payroll Disbursements (Significant Deficiency, Instance of Noncompliance)

Federal Program: CFDA 84.027/84.173 - Special Education Cluster (IDEA)

Federal Agency: U.S. Department of Education

Federal Award Number/Year: Various

Pass-through Entity: New Mexico Publication Education Department

Questioned Costs: None

Condition: During our review of 40 payroll expenditures, six samples did not have a completed time and effort form for the employees. Upon further review, we identified that three of the six employees' primary job code is Special Education Instructor. Two of the samples were for substitute instructors filling in for Special Education- educational assistants, and the other was an instructor.

Criteria: Per §200.430 Compensation-personal services, charges to Federal awards for salaries and wages must be based on records that comply with the established accounting policies and procedures of the non-Federal entity; be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity. Las Cruces Public Schools internal policy for Special Education fund requires any employee paid out of a Special Education grant to have a completed Time and Effort form.

Context: See "Condition"

Cause: Management oversight at the school site by not complying with District policy. District oversight ensuring schools are submitting Time and Effort forms for all employees funded by the grant.

Effect: Noncompliance with applicable regulations and District policy.

Auditor's Recommendation: We recommend the district complete audits at school sites to ensure Time and Efforts are completed and policy is being followed. In addition, we recommend utilizing an employee listing to audit that all required employees have a Time and Effort form in order to comply with program requirements.

Management Response: The mechanism for certification of Time and Effort in our department involves the use of inter office mail to send the reports to the school sites in order for the employee to sign the after the fact Time and Effort report. Several logistical barriers at the school site may impede personnel from acquiring signatures and returning these reports to the Administration offices in a timely manner, which can result in challenges in locating these reports. The department will implement a process of periodic internal Time and Effort audits throughout the school year, therefore providing a more accurate line of sight into those reports that have not been returned. At this point, the Department will reach out to the schools regarding the individuals in question to ensure that Time and Effort reports are returned and filed in a timely fashion.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2018-002 Eligibility (Significant Deficiency, Instance of Noncompliance)

Federal Program: CFDA 10.553/10.555/10.556– National School Breakfast and Lunch Program

Federal Agency: U.S. Department of Agriculture

Federal Award Number/Year: 2017-2018

Pass-through Entity: New Mexico Publication Education Department

Questioned Costs: None

Condition: During our review of 40 participant files, the following was identified:

- 1 participant's application was missing the last four of the parent's social security number, which would make the applicant incomplete until corrected. The applicant was processed as "free" lunch status student. We subsequently were informed the student attended a CEP school and would ultimately receive free lunch.
- 1 participant application did not have a stamped "Received date" to validate the application was processed within 10 days of receipt per the department's internal procedures.

Criteria: Per §245.6a, the local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. An application must be approved if it contains the essential documentation specified in the definition of Documentation in §245.2 and, if applicable, the household meets the income eligibility criteria for free or reduced price benefits. Verification efforts must not delay the approval of applications.

Context: See "Condition"

Cause: Management oversight. Lack of adequate training over federal program by responsible staff and knowledgeable staff due to department turnover.

Effect: Noncompliance with grant requirements.

Auditor's Recommendation: We recommend the Department create internal controls and thorough review of applications to ensure applications are complete and meet the grant eligibility requirements. In addition, we recommend that responsible staff complete training of grant requirements to prevent non-compliance.

Management Response: Nutrition service staff shall attend Grant training to gain knowledge of specific grant compliance requirements. Staff will apply knowledge gained to specific processes, procedures and controls. Management will implement controls over the free and reduced price meal application processing to ensure compliance with requirements. In addition, a review process will be put in place to validate form completion and eligibility.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section IV – Other Findings

2018-003 Travel and Per Diem (Other Non-Compliance)

Condition: During our review of travel and per diem disbursements, we identified a disbursement that was incorrectly calculated. The District incorrectly reimbursed the employee at a mileage rate of \$0.44, when they should have been reimbursed at the current rate of \$0.43 per mile.

Criteria: Per NMAC 6.20.2.19, each school district shall establish and implement written policies and procedures for travel and training. Travel policies and procedures shall be in compliance with the Per Diem and Mileage Act, Sections 10.8.1 - 10.8.8, NMSA 1978, and Department of Finance and Administration (DFA) regulations.

Cause: Management oversight, as the previous travel forms stating the previous mileage rate were still in circulation.

Effect: Mileage reimbursement overpayment and noncompliance with state statute.

Auditor's Recommendation: We recommend management and respective staff are familiar with the Per Diem and Mileage Act and are aware of changes as a result of new rate changes. We recommend that internal travel forms be updated to reflect a mileage rate effective through date to assist with review for noncompliance prior to payment.

Management's Response: This irregularity was due to a misunderstanding by the individual responsible for posting the mileage reimbursement rate. The individual thought the mileage rate was to be updated in January, when the IRS issues the new mileage rate. Per NMAC 2.42.2.11 (B), the mileage rate is 80% of the IRS rate set January 1st of the previous year. Once management identified that the mileage rate had incorrectly been updated, it was immediately corrected. A notification was sent out to all finance secretaries and all travel reimbursement forms in process were corrected. In addition to the notification, training was conducted internally within finance to address mileage rates. The District's Travel and Per Diem policies, regulations, procedures and form are currently being updated and revised. Clarification on how and when the mileage rate is updated will be incorporated into the revisions.

Estimated Implementation: Prior to June 30th, 2019.

Person Responsible: Chief Financial Officer

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section IV – Other Findings (Continued)

2018-004 IT General Controls (Original Finding #2011-001) (Finding That Does Not Rise To The Level Of Significant Deficiency) (Repeated)

Condition: During our review of IT general controls that are significant to financial reporting, we noted the District has established an IT Committee since the previous fiscal year, but the District has yet to complete penetration testing over its internal security software systems. In addition, security logs are not reviewed on a regular basis.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2019.

Criteria: Framework DS5 (Ensure System Security) provides that the need to maintain integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining IT security and roles and responsibilities, policies, standards, and procedures. Security management also includes performing security monitoring and periodic testing and implementing corrective actions for identified security weakness or incidents. Effective security management protects all IT assets to minimize the business/financial impact of security vulnerabilities and incidents.

Cause: Lack of formal policies and resources.

Effect: Security issues identified decreases overall system security which makes the infrastructure vulnerable to attack and unauthorized data access or modification. Unauthorized access to system by terminated employees.

Auditor's Recommendation: We recommend management review security logs on a regular basis and build into their budget a plan to complete penetration testing over its internal security software.

Management's Response: Due to budget cuts this fiscal year, the log auditing platform was removed. Due to the tremendous volume of logs, an auditing tool will be necessary since manual log auditing would be unsustainable. The IT department has identified several issues that would be found during a penetration test that we are planning to mitigate with an upcoming network upgrade. Penetration testing has been part of the plan after the upgrades are installed. Both items will be requested in FY 19/20.

Estimated Implementation: 12-18 months, dependent on funding

Person Responsible: IT Management

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section III – Other Findings (Continued)

2018-005– Fuel Cards (Finding That Does Not Rise To The Level Of Significant Deficiency)

Condition: During testing over fuel cards, it was identified that the respective department liaison was not reconciling their fuel card statements against their department's receipts. In addition, supporting receipts were not maintained by the department in order to test against the fuel card statement.

Criteria: The Las Cruces Public School's (District) P-Card Policy and Procedures Manual states the Liaison shall, "Ensure timely reconciliations and/or approvals each month. Receive and review all Cardholder charge slips, receipts, and reconcile to the monthly statement and then forward to Accounts Payable."

Cause: Management oversight and staff turnover within department.

Effect: Noncompliance with District P-Card Policy and possible abuse or unsupported fuel costs.

Auditor's Recommendation: We recommend management implement a training and review of the District P-Card Policy and Procedures and that random audits be completed to determine that departments are reconciling their statements to physical receipts.

Management's Response: Management will provide continuous training to department Liaisons' on reconciliation process of fuel charges. Management will also conduct audit reviews to ensure reconciliation is done on a monthly basis.

Estimated Implementation: Prior to June 30, 2019

Person Responsible: Chief Financial Officer

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section III – Other Findings (Continued)

2018-006– Timely Cash Deposits (Original Finding #2017-005) (Other Non-Compliance) (Repeated)

Condition: During our testing of cash receipts, we encountered 4 out 22 receipts, totaling \$2,152, which were not deposited within 24-hours of receipt.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2019.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

Cause: Management oversight.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend implementing a procedure to ensure all receipts of monies are deposited within 24 hours of receipt.

Management's Response: The District is currently updating and revising its policies, regulations, procedures and forms regarding Cash Controls. This will include updates and revisions to internal controls and audits of cash transactions at site locations. All individuals involved with site financial transactions will receive extensive training on the proper procedures of cash handling.

Estimated Implementation: Prior to June 30, 2019

Person Responsible: Chief Financial Officer

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

Section V – Financial Statement Findings

Finding #	Status
2017-001 Internal Control over Financial Reporting (Material Weakness)	Resolved

Section VI – Findings and Questioned Costs – Major Federal Programs

None.

Section VII – Other

Finding #	Status
2017-002 Payroll (Compliance and Other Matters)	Resolved
2017-003 IT General Controls (Compliance and Other Matters)	Repeated as 2018-004
2017-004 Final Payment Prior to Report Release Date	Resolved
2017-005 Timely Cash Deposits (Compliance and Other Matters)	Repeated as 2018-006

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
EXIT CONFERENCE
JUNE 30, 2018**

An exit conference was held with the District on November 13, 2018. The conference was held at the District's offices in Las Cruces, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2

Ed Frank, President
Ed Ellison, CFO
Will A. Manning, Director of Purchasing
Melissa Zuniga, Controller
Sylvia Martinez, Finance – Assistant Controller
Veronica Moreno, Assistant Controller - Payroll
Ed Frank, Vice President, LCPS School Board
Maury Castro, LCPS Board Member
Wendy Baetticher, Community Member
Shammi Gandhi, Community Member

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA, Engagement Principal
Elizabeth Nunez, CPA, Senior Associate

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption notices or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption notices or other notices to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such

other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities depository). In that event, Bond certificates will be printed and delivered to bond holders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriters believe to be reliable, but none of the District, the Financial Advisor or the Underwriters take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for whom the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "The Bonds" below in this Official Statement.

APPENDIX D

FORM OF BOND COUNSEL OPINION

September __, 2019

Las Cruces School District No. 2
Las Cruces, New Mexico

Re: \$12,750,000 Las Cruces School District No. 2, General Obligation School Bonds,
Series 2019

Ladies and Gentlemen:

We have acted as bond counsel to the Las Cruces School District No. 2 (the "District") in connection with the issuance of its \$12,750,000 General Obligation School Bonds, Series 2019 (the "Bonds"), dated their date of issuance, with interest payable on February 1, 2020, and semi-annually thereafter on August 1 and February 1, until maturity, and being bonds in registered form maturing on August 1 in the years 2020 through 2035, inclusive.

We have examined the transcript of proceedings (the "Transcript") relating to the issuance of the Bonds and the law under authority of which the Bonds are issued. Based on our examination, we are of the opinion that, under the law existing on the date of this opinion, subject to the provisions of federal bankruptcy law and other laws affecting creditors' rights and further subject to exercise of judicial discretion in accordance with general principles of equity:

1. The Bonds constitute valid and binding general obligations of the District and are to be paid from the proceeds of the levy of ad valorem taxes on all taxable property within the District without limitation as to rate or amount.

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

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

The opinions set forth above in paragraph 2 are subject to continuing compliance by the District with covenants regarding federal tax law contained in the proceedings and other documents relevant to the issuance by the District of the Bonds. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance.

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

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

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

We are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual or interest on, or the ownership of, the Bonds except those specifically addressed in paragraphs 2 and 3 above.

Respectfully Submitted,