

OFFICIAL STATEMENT DATED MAY 6, 2020

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

\$28,650,000 - General Obligation Refunding Bonds, Series 2020 (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) current refunding of the District's outstanding General Obligation School Bonds, Series 2011 maturing on and after August 1, 2021, and General Obligation School Bonds, Series 2011A maturing on and after August 1, 2021 (the "Refunded Bonds") 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 August 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.
NO OPTIONAL REDEMPTION SECURITY	<p>The Bonds are <u>not</u> subject to redemption prior to maturity as provided herein.</p> <p>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. The Bonds are additionally secured by the New Mexico School District Enhancement Program as discussed in more detail under "New Mexico School District Enhancement Program" herein.</p>
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 May 20, 2020.
DATED DATE	Day of delivery of the Bonds to the Underwriter set forth below.
DUE DATE	August 1, as show on the following page:

STIFEL

\$28,650,000 - General Obligation Refunding Bonds, Series 2020

Year (8/1)	Principal	Interest Rate	Yield	Cusip # 517534	Year (8/1)	Principal	Interest Rate	Yield	Cusip # 517534
2020	\$ 280,000	4.000%	1.070%	XK4	2025	\$3,770,000	5.000%	1.510%	XQ1
2021	2,910,000	5.000%	1.080%	XL2	2026	4,000,000	5.000%	1.600%	XR9
2022	2,665,000	5.000%	1.200%	XM0	2027	3,890,000	5.000%	1.700%	XS7
2023	3,440,000	5.000%	1.310%	XN8	2028	4,050,000	5.000%	1.760%	XT5
2024	3,645,000	5.000%	1.400%	XP3					

**** - 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 or the Underwriter shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.**

ISSUER

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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 underwriter 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 underwriter is not 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, was not requested and did not take part in the preparation of the Official Statement, nor has the firm undertaken to independently verify any of the information contained herein. Such firm has 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.

The Underwriter has reviewed the information contained in the Official Statement in accordance with its responsibilities to investors under federal securities laws as applicable to the circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The Underwriter makes no representation as to the accuracy, completeness, or adequacy of the information supplied by DTC for use in this Official Statement.

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
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Albuquerque, NM 87110
Attn: Erik Harrigan
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TABLE OF CONTENTS

INTRODUCTION	1		
THE ISSUER.....	1	ENROLLMENT	20
PLAN OF FINANCE.....	1	FINANCES OF THE DISTRICT	20
SOURCES AND USES	2	SOURCES OF REVENUES FOR GENERAL FUND	20
INFECTIOUS DISEASE OUTBREAK – COVID-19.....	2	STATE EQUALIZATION PROGRAM.....	21
POTENTIAL IMPACT OF COVID-19.....	2	STATEMENT OF NET ASSETS	23
THE BONDS	3	STATEMENT OF ACTIVITIES.....	24
AUTHORITY.....	3	BALANCE SHEET – GENERAL FUND	25
GENERAL TERMS.....	3	STATEMENT OF REVENUES AND EXPENDITURES –	26
SECURITY FOR THE BONDS.....	3	GENERAL FUND	26
BOND REGISTRAR, PAYING AGENT & ESCROW AGENT.....	3	SPECIAL REVENUE FUNDS	27
PAYMENT OF PRINCIPAL AND INTEREST; RECORD DATE	3	DEBT SERVICE FUND	27
NO OPTIONAL PRIOR REDEMPTION	4	CAPITAL PROJECTS FUNDS	27
TRANSFERS AND EXCHANGES	4	FIDUCIARY FUNDS.....	27
DEFEASANCE	4	DISTRICT BUDGET PROCESS	27
LIMITED BOOK-ENTRY RESPONSIBILITIES	5	EMPLOYEES AND RETIREMENT PLAN.....	28
SECURITY AND REMEDIES	5	TAX MATTERS	31
LIMITATIONS OF REMEDIES	5	ORIGINAL ISSUE PREMIUM	32
NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM	6	INTERNAL REVENUE SERVICE AUDIT PROGRAM	32
DEBT AND OTHER FINANCIAL OBLIGATIONS	6	FUTURE AND PROPOSED LEGISLATION	32
OUTSTANDING DEBT	8	LEGAL MATTERS RELATING TO STATE	32
DEBT SERVICE REQUIREMENTS TO MATURITY	9	EDUCATION SYSTEM	32
STATEMENT OF ESTIMATED DIRECT AND OVERLAPPING DEBT	9	CONTINUING DISCLOSURE UNDERTAKING.....	33
SELECTED DEBT RATIOS.....	10	LITIGATION.....	33
LEASE-PURCHASE ARRANGEMENTS	11	RATING	34
ANALYSIS OF ASSESSED VALUATION	12	VERIFICATION OF ARITHMETICAL	34
HISTORY OF ASSESSED VALUATION.....	13	COMPUTATIONS	34
MAJOR TAXPAYERS.....	13	UNDERWRITING	34
TAX RATES.....	14	THE FINANCIAL ADVISOR.....	34
SCHOOL TAX RATES.....	14	LEGAL MATTERS	35
YIELD CONTROL LIMITATIONS.....	15	DISCLOSURE CERTIFICATE.....	35
DEVELOPMENTS LIMITING RESIDENTIAL PROPERTY TAX INCREASES	15	ADDITIONAL MATTERS	35
TAX COLLECTIONS	16	FORWARD LOOKING STATEMENTS	35
INTEREST ON DELINQUENT TAXES.....	17	A LAST WORD	37
PENALTY FOR DELINQUENT TAXES.....	17		
REMEDIES AVAILABLE FOR NON-PAYMENT OF TAXES	17		
THE DISTRICT	18		
SCHOOL DISTRICT POWERS.....	18		
MANAGEMENT	18		
INSURANCE	19		
INTERGOVERNMENTAL AGREEMENTS.....	19		
SCHOOL PROPERTY	19		

APPENDICES:

- A. Economic & Demographic Information
- B. June 30, 2019 Financial Statements
- C. Book-Entry-Only System
- D. Form of Bond Counsel Opinion
- E. Form of Continuing Disclosure Undertaking

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

\$28,650,000 - General Obligation Refunding Bonds, Series 2020 (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 Series 2020 Bonds will be used for (1) current refunding of the District’s outstanding General Obligation School Bonds, Series 2011 maturing on and after August 1, 2021 and General Obligation School Bonds, Series 2011A maturing on and after August 1, 2021 (collectively, the “Refunded Bonds”) and (2) paying costs of issuance of such Bonds.

The principal and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the redemption date (August 1, 2020) of such Refunded Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the “Escrow Agreement”) between the District and BOKF, NA (“Escrow Agent”). The Bond Resolution provides that from the proceeds of the sale of the Series 2020 Bonds and District cash, if necessary, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”) and used to purchase direct obligations of the United States of America (the “Federal Securities”). Under the Escrow Agreement the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Causey, Demgen & Moore P.C., a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the District, the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Federal Securities will not be available to pay any of the Bonds (see “Verification of Arithmetical and Mathematical Computations”).

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the accountant’s verification report, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

SOURCES AND USES

It is anticipated that the proceeds of the Bonds will be applied as follows:

Sources	2011 Refunding Bonds	2011A Refunding Bonds	Total
Par Amount of Bonds	\$11,855,000.00	\$16,795,000.00	\$28,650,000.00
Premium	1,571,607.90	3,031,140.10	4,602,748.00
Total	\$13,426,607.90	\$19,826,140.10	\$33,252,748.00

Uses	2011 Refunding Bonds	2011A Refunding Bonds	Total
Deposit to Escrow Fund	\$13,321,260.75	\$19,677,377.02	\$32,998,637.77
Costs of Issuance	63,412.86	89,837.14	153,250.00
Underwriter's Discount	37,995.95	58,237.42	96,233.37
Debt Service Fund	3,938.34	688.52	4,626.86
Total	\$13,426,607.90	\$19,826,140.10	\$33,252,748.00

Infectious Disease Outbreak – COVID-19

A respiratory disease named "coronavirus disease 2019" ("COVID-19") has recently spread to most parts of the world, including New Mexico and throughout the U.S. On March 11, 2020, COVID-19 was declared a pandemic by the World Health Organization. Following the World Health Organization's declaration of the outbreak of COVID-19 as a pandemic, state and local governments, including the State of New Mexico, have announced orders, recommendations and other measures intended to limit the size of public gatherings and regulate public spaces intended to minimize interpersonal contact and slow the spread of COVID-19.

On March 11, 2020, New Mexico Governor Michelle Lujan Grisham issued Executive Order 2020-004, declaring a state of public health emergency and directing State agencies to use all resources necessary to prepare for and respond to the outbreak. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic. On the same date, Governor Lujan Grisham issued Executive Order 2020-05, which ordered the closure of all public schools in the State until April 6, 2020. On March 23, 2020, in response to the Governor's declaration of the state of public health emergency, New Mexico Department of Health Secretary Kathyleen Kunkel issued a public health order closing all businesses and non-profit entities except for those deemed essential (but allowing for the conduct of business through telecommuting and work from home) and placing restrictions on mass gatherings, etc. during the pendency of the public health emergency. On March 26, 2020, Governor Lujan Grisham issued Executive Order 2020-012 that ordered the continued closure of all public schools for the remainder of the 2019-2020 academic year due to the continuing public health emergency.

Governor Lujan Grisham has issued several Executive Orders ordering the extension of Executive Order 2020-04 through May 15, 2020 and the New Mexico Department of Health also extended its March 23, 2020 public health order through May 15, 2020.

Potential Impact of COVID-19

Measures taken to prevent or reduce the spread of COVID-19 could limit the growth of or reduce economic activity in the State and the District, which in turn could limit the growth of or reduce the District's ad valorem collections or negatively affect property values within the District. Additionally, an extended period of depressed oil and natural gas prices and the possible decrease of oil and natural gas production within New Mexico, Doña Ana County and the District may limit the growth of or reduce economic activity in the State and the District, which in turn could limit the growth of or reduce the District's ad valorem collections or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds. Due to the recent and unprecedented nature of the spread of COVID-19 coupled with the uncertainty with oil and natural gas prices and production levels within the State and the District, the duration and extent of the potential impact of COVID-19 and the recent experiences with oil

and natural gas prices on the New Mexico economy and the District's revenues, expenses, cash flow and property tax valuations are uncertain and cannot be quantified at this time.

THE BONDS

Authority

New Mexico law enables the District to issue the Bonds, (NMSA 1978, Sections 6-15-1 through 6-15-22). The District adopted a resolution on March 17, 2020 authorizing the issuance of the Bonds, as supplemented by the resolution adopted on April 21, 2020 and the final terms to be set forth in the Final Terms Certificate(or pricing certificate) (collectively, the "Bond Resolution"). 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 dated the date of their initial delivery to the underwriters. 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 SCHOOL DISTRICT ENHANCEMENT PROGRAM," herein. The District covenants in the 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, Paying Agent & Escrow Agent

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

Payment of Principal and Interest; Record Date

The principal of and interest on the Bonds due at maturity shall be payable to the registered owner thereof as shown on the registration books kept by BOKF, NA, Albuquerque, New Mexico, as registrar and paying agent for the Bonds (such entity and any successor thereto, the "Registrar/Paying Agent") for the Bonds, upon maturity and upon presentation and surrender thereof at the principal corporate trust offices of the Registrar/Paying Agent. If any Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw

interest at the rate borne by the Bond until the principal thereof is paid in full. Payment of interest on the Bonds (other than at maturity) shall be made by check or draft mailed by the Registrar/Paying Agent (or by such other arrangement as may be mutually agreed to by the Registrar/Paying Agent and such registered owner), on or before each interest payment date (or, if such interest payment date is not a business day, on or before the next succeeding business day), to the registered owner thereof on the Record Date (defined below) at his address as it appears on the registration books kept by the Registrar/Paying Agent. All such payments shall be made in lawful money of the United States of America. The term "Record Date" with respect to any interest payment date shall mean the fifteenth day of the month immediately preceding the interest payment date. The person in whose name any Bond is registered on any Record Date with respect to any interest payment date shall be entitled to receive the interest payable thereon on such interest payment date notwithstanding any transfer or exchange thereof subsequent to such Record Date and prior to such interest payment date; but interest on any Bond which is not timely paid or duly provided for shall cease to be payable as provided above and shall be payable to the person in whose name such Bond is registered at the close of business on a special record date (the "Special Record Date") fixed by the Registrar/Paying Agent for the payment of any such overdue interest. The Special Record Date shall be fixed by the Registrar/Paying Agent whenever moneys become available for payment of overdue interest, and notice of any such Special Record Date shall be given not less than ten days prior thereto, by first-class mail, to the registered owners of the Bonds as of the fifth day preceding the mailing of such notice by the Registrar/Paying Agent, stating the Special Record Date and the date fixed for the payment of overdue interest.

No Optional Prior Redemption

The Series 2020 Bonds are not subject to redemption prior to maturity by the District.

Transfers and Exchanges

Upon the surrender for transfer of any bond at the principal corporate trust office of the Registrar/Paying Agent, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the Registrar/Paying Agent shall authenticate and deliver not more than three business days after receipt of the bond to be transferred in the name of the transferee or transferees a new bond or bonds in fully registered form of the same aggregate principal amount of authorized denominations, and of the same maturity, interest rate and series, bearing a number or numbers not contemporaneously outstanding. Bonds may be exchanged at the principal corporate trust office of the Registrar/Paying Agent for an equal aggregate principal amount of bonds of other authorized denominations, and of the same maturity, series and interest rate. The Registrar/Paying Agent shall authenticate and deliver not more than three business days after receipt of the bond to be exchanged a bond or bonds which the registered owner making the exchange is entitled to receive, bearing a number or numbers not contemporaneously outstanding. Exchanges and transfers of bonds as herein provided shall be without charge to the owner or any transferee, but the Registrar/Paying Agent may require the payment by the owner of any bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer. Bonds which are reissued upon transfer, exchange or other replacement shall bear interest from the most recent interest payment date to which interest has been fully paid or provided for in full or, if no interest has been paid, from the Series Date. See Book-Entry-Only System" in Appendix C.

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. There shall be deemed to be such payment when the District has caused to be placed in escrow and in trust with a bank doing business in the State which is a member of the Federal Deposit Insurance Corporation and exercising trust powers, an amount sufficient (including the known minimum yield from direct obligations of the United States or securities that are unconditionally guaranteed by the United States ("Government Obligations"), in which such

amounts are or may be initially invested) to meet all requirements of principal and interest on the Bonds as the same become due to their final maturities. The Government Obligations shall become due prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the District and such bank at the time of the creation of the escrow, or the Government Obligations shall be subject to redemption at the option of the holders or owners thereof to assure such availability as needed to meet such schedule.

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 constitute the general obligation bonds of the District, payable from general ad valorem taxes which shall be levied against all taxable property within the District without limitation as to the rate or amount. The full faith and credit of the District is irrevocably pledged to the payment of the principal of and interest on the Bonds.

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.

The Bonds are additionally secured by the New Mexico School District Enhancement Program as discussed in more detail under "New Mexico School District Enhancement Program" herein.

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.

To qualify for the New Mexico School District Enhancement Program, Section 22-18-13 NMSA 1978 requires filing the authorizing bond resolution, bond offering documents and contact information for the paying agent for the bonds with DFA. Failure to file such information will not invalidate the obligation of the State Treasurer to pay the bond payment and withhold the SEG distribution.

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 \$3,558,367,678 for tax year 2019. Therefore, the maximum general obligation debt may not exceed \$213,502,060. After the Bonds are issued, the ratio of total net outstanding general obligation debt of the District to the 2019 Assessed Valuation will be no greater than 4.94% as summarized on the following page:

2019 Assessed Valuation	\$3,558,367,678
2019 Estimated Actual Valuation	11,804,826,897 ⁽¹⁾
Bonded Debt	
Current Outstanding Debt (includes the Bonds)	\$122,015,000 ⁽²⁾
Less Debt Service Fund Balance	<u>(9,092,737)</u> ⁽³⁾
NET DEBT	<u>\$112,922,263</u>
Ratio of Estimated Net Debt to 2019 Assessed Valuation:	4.94%
Ratio of Estimated Net Debt to 2019 Estimated Actual Valuation:	1.49%
Per Capita Net Bonded Debt:	\$933.24
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 3/1/2020 was \$12,673,752.91. The amount properly attributable to principal reduction is 74.9%.

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	\$ 1,900,000 ⁽¹⁾
2011A	30,000,000	08/01/2028	1,600,000 ⁽¹⁾
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
2020	28,650,000	08/01/2028	28,650,000
Total	\$ 193,950,000		\$ 122,015,000

(1) Outstanding amount after refunding callable maturities.

LEASE-PURCHASE ARRANGEMENTS ⁽¹⁾			
Series	Original Issue Amount	Final Maturity	Principal Outstanding
2010 Lease-Purchase	\$ 18,000,000	08/01/2030	\$ 12,032,145
2013 Lease-Purchase	15,500,000	05/01/2033	11,852,835
2014 Lease-Purchase	5,500,000	11/01/2034	4,520,208
Total	\$ 39,000,000		\$ 28,405,188

(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 principal and interest payments on the Bonds.

Year	Current Requirements ⁽¹⁾			G/O Refunding Bonds, Series 2020			Total Requirements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 10,240,000	\$ 3,764,848	\$ 14,004,848	\$ 280,000	\$ 281,969	\$ 561,969	\$ 10,520,000	\$ 4,046,817	\$ 14,566,817
2021	6,075,000	2,820,919	8,895,919	2,910,000	1,418,500	4,328,500	8,985,000	4,239,419	13,224,419
2022	5,960,000	2,594,356	8,554,356	2,665,000	1,273,000	3,938,000	8,625,000	3,867,356	12,492,356
2023	4,895,000	2,354,756	7,249,756	3,440,000	1,139,750	4,579,750	8,335,000	3,494,506	11,829,506
2024	4,805,000	2,168,781	6,973,781	3,645,000	967,750	4,612,750	8,450,000	3,136,531	11,586,531
2025	4,990,000	1,984,975	6,974,975	3,770,000	785,500	4,555,500	8,760,000	2,770,475	11,530,475
2026	5,150,000	1,793,150	6,943,150	4,000,000	597,000	4,597,000	9,150,000	2,390,150	11,540,150
2027	5,600,000	1,618,150	7,218,150	3,890,000	397,000	4,287,000	9,490,000	2,015,150	11,505,150
2028	5,450,000	1,416,900	6,866,900	4,050,000	202,500	4,252,500	9,500,000	1,619,400	11,119,400
2029	7,930,000	1,248,338	9,178,338				7,930,000	1,248,338	9,178,338
2030	8,135,000	996,438	9,131,438				8,135,000	996,438	9,131,438
2031	6,435,000	742,700	7,177,700				6,435,000	742,700	7,177,700
2032	6,450,000	542,775	6,992,775				6,450,000	542,775	6,992,775
2033	7,275,000	339,563	7,614,563				7,275,000	339,563	7,614,563
2034	2,375,000	120,219	2,495,219				2,375,000	120,219	2,495,219
2035	1,600,000	48,000	1,648,000				1,600,000	48,000	1,648,000
Total	\$ 93,365,000	\$ 24,554,867	\$ 117,919,867	\$ 28,650,000	\$ 7,062,969	\$ 35,712,969	\$ 122,015,000	\$ 31,617,836	\$ 153,632,836

(1) Does not include the Refunded Bonds. Does include debt service payment on the unrefunded portion of the Bonds due 8/1/2020.

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	2019 Assessed Valuation	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico	\$66,906,427,722	\$421,700,000	5.32%	\$22,427,795
Doña Ana County	4,602,866,403	5,340,000	77.31%	4,128,228
Doña Ana Branch CC	4,660,074,663	12,050,000	76.36%	9,201,211
City of Las Cruces	2,452,417,126	13,950,000	100.00%	13,950,000
Town of Mesilla	69,146,725	-	100.00%	-
Las Cruces Schools	3,558,367,678	122,015,000	100.00%	122,015,000
Total Direct & Overlapping Debt				\$171,722,234

Ratio of Estimated Direct & Overlapping Debt to 2019 Assessed Valuation:	4.83%
Ratio of Estimated Direct & Overlapping Debt to 2019 Estimated Actual Valuation:	1.45%
Per Capita Direct & Overlapping Debt:	\$1,419.19

Selected Debt Ratios

2019 Assessed Valuation	\$3,558,367,678
2019 Estimated Actual Valuation	\$11,804,826,897 ⁽¹⁾
District Net Debt as a Percentage of	
Assessed Valuation	3.17%
Estimated Actual Valuation	0.96%
Direct and Overlapping Debt as a % of	
Assessed Valuation	4.83%
Estimated Actual Valuation	1.45%
Estimated Population	121,000
District General Obligation Debt	
Current Outstanding Debt (including the Bonds)	\$122,015,000
District Net General Obligation Debt	\$112,922,263
Estimated Direct & Overlapping G/O Debt	\$171,722,234
District Net Debt Per Capita	\$933.24
Direct & Overlapping Debt Per Capita	\$1,419.19

(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
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	1,501,310
02/01/2021	461,413	269,263	730,677	05/01/2021	372,557	195,271	567,827	05/01/2021	121,387	81,419	202,806	1,501,310	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	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	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	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	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	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	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	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	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	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	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	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	770,633
08/01/2033				11/01/2033				11/01/2033	191,954	10,852	202,806	202,806	973,439
02/01/2034				05/01/2034				05/01/2034	195,505	7,301	202,806	202,806	202,806
08/01/2034				11/01/2034				11/01/2034	199,122	3,684	202,806	202,806	405,611
	\$12,032,145	\$3,312,063	\$15,344,208		\$11,852,835	\$2,910,679	\$14,763,514		\$4,520,208	\$1,361,158	\$5,881,366	\$35,989,088	\$35,989,088

(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 2019 Assessed Valuation is \$3,558,367,678. 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 four years follows:

	2019	2018	2017	2016	2015
Assessments					
Value of Land	\$995,359,878	\$979,317,396	\$956,671,029	\$946,430,505	\$863,944,497
Improvements	2,694,401,348	2,586,386,400	2,505,584,413	2,426,219,319	2,339,907,342
Personal Property	82,799,216	79,683,950	80,399,189	73,794,121	72,650,644
Mobile Homes	54,791,770	54,735,062	53,955,979	52,850,807	53,135,712
Livestock	967,326	1,011,827	1,350,607	1,903,494	1,440,071
Assessors Total Taxable Value	\$3,828,319,538	\$3,701,134,635	\$3,597,961,217	\$3,501,198,246	\$3,331,078,266
Less Exemptions					
Head of Family	\$42,829,196	\$42,882,386	\$43,539,278	\$43,955,521	\$42,878,596
Veterans	72,113,794	66,516,803	64,155,507	60,526,468	56,600,765
Other	260,708,491	267,175,432	264,980,759	271,515,660	190,872,210
Total Exemptions	\$375,651,481	\$376,574,621	\$372,675,544	\$375,997,649	\$290,351,571
Assessors Net Taxable Value	\$3,452,668,057	\$3,324,560,014	\$3,225,285,673	\$3,125,200,597	\$3,040,726,695
Centrally Assessed	105,699,621	112,328,711	109,698,260	110,729,065	125,084,777
Total Assessed Valuation	\$3,558,367,678	\$3,436,888,725	\$3,334,983,933	\$3,235,929,662	\$3,165,811,472
	2019	2018	2017	2016	2015
Residential	\$2,630,887,412	\$2,524,027,930	\$2,430,441,059	\$2,354,715,318	\$2,282,983,486
Non-Residential	927,480,266	912,860,795	904,542,874	881,214,344	882,827,986
Total	\$3,558,367,678	\$3,436,888,725	\$3,334,983,933	\$3,235,929,662	\$3,165,811,472

Source: Doña Ana County Assessor's Office.

History of Assessed Valuation

Listed below is a 5-year history of assessed valuation for the District. From 2015-2019, the tax base of the District has had an average annual growth rate of 2.95%.

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	2,630,887,412	4.23%	821,780,645	2.65%	105,699,621	-5.90%	3,558,367,678	3.53%

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 2019 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 3.89% of the District's total 2019 assessed valuation.

Name	Business	2019 A.V.	% of AV
El Paso Electric	Electric Utility	\$37,508,192	1.05%
Las Cruces Medical Center	Healthcare	18,196,667	0.51%
Memorial Medical Center	Healthcare	17,747,996	0.50%
BN&SF	Railroad	13,852,551	0.39%
Mesilla Valley Mall	Retail	11,749,599	0.33%
Union Pacific	Railroad	9,481,616	0.27%
Comcast of New Mexico	Cable Provider	9,109,379	0.26%
Copperstone LLC	Real Estate	8,534,986	0.24%
SunE EPE2 LLC	Electric Generation	6,243,862	0.18%
HTW-Regional Medical Center MOB LLC	Healthcare	5,951,490	0.17%
		\$138,376,338	3.89%

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 2019 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					
	2019	2018	2017	2016	2015
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Doña Ana County	9.253	9.137	9.055	9.043	9.153
Doña Ana Community College	1.250	1.250	1.250	1.250	1.248
City of Las Cruces	4.841	4.776	4.732	4.730	4.806
Las Cruces Schools	0.344	0.340	0.337	0.336	0.340
Total	\$15.688	\$15.503	\$15.374	\$15.359	\$15.547

Over 20 Mill Limit - Interest, Principal, Judgment, etc.					
	2019	2018	2017	2016	2015
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Doña Ana County	0.098	0.108	0.108	0.109	0.114
Doña Ana Community College	0.750	0.750	0.350	0.750	0.750
City of Las Cruces	4.007	3.994	1.970	1.969	2.000
Las Cruces Schools	9.605	9.600	9.581	9.584	9.512
Total	\$15.820	\$15.812	\$13.369	\$13.772	\$13.736

Total Levy					
	2019	2018	2017	2016	2015
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Doña Ana County	9.351	9.245	9.163	9.152	9.267
Doña Ana Community College	2.000	2.000	1.600	2.000	1.998
City of Las Cruces	8.848	8.770	6.702	6.699	6.806
Las Cruces Schools	9.949	9.940	9.918	9.920	9.852
Total Residential in City of Las Cruces	\$31.508	\$31.315	\$28.743	\$29.131	\$29.283
Total Non-Residential in City of Las Cruces	\$34.546	\$34.546	\$32.147	\$32.555	\$32.457
Total Residential in Town of Mesilla	\$23.688	\$23.574	\$23.077	\$23.477	\$23.534
Total Non-Residential in Town of Mesilla	\$27.753	\$27.760	\$27.367	\$27.775	\$27.671

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 2015 tax year (2015-16 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 re-approved in November 2019 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.
2019	\$0.344	\$0.500	\$2.000	\$2.000	\$3.000	\$3.000	\$0.000	\$4.605	\$4.605	\$9.949	\$10.105
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

* 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 including the Bonds.*

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. 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.

Amendments to State laws affecting residential property taxes are proposed from time to time and may be proposed in the future by the Legislature. Such amendments, if enacted, could result in an increase to the tax rate imposed on residential property tax within the District in order to pay the principal of and interest on general obligation bonds issued by the District, including the Bonds.

The constitutionality of the property tax limitation has been challenged in a number of venues. On March 28, 2012, the New Mexico Court of Appeals upheld the statutory valuation cap and its application under Section 7-36-21.2 NMSA 1978, which ruling was affirmed by the New Mexico Supreme Court in June, 2014.

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
2019	19/20	\$141,749,580	\$88,162,603	62.20%	\$88,162,603	62.20%
2018	18/19	136,485,987	129,331,545	94.76%	133,140,907	97.55%
2017	17/18	126,172,670	120,921,863	95.84%	124,478,737	98.66%
2016	16/17	124,042,961	118,564,408	95.58%	123,368,286	99.46%
2015	15/16	121,366,128	115,940,130	95.53%	120,880,994	99.60%

(1) As of June 30 of each year except for tax year 2019 (data as of 3/1/2020)

(2) As of 3/1/2020.

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.

Protest

Pursuant to Section 7-38-39 NMSA 1978, after receiving his or her property tax bill and after making payment prior to the delinquency date of all property taxes due in accordance with the bill, a property owner may protest the value or classification determined for his or her property for property taxation purposes, the allocation of value of his or her property to a particular governmental unit, the application to his or her property of an administrative fee adopted pursuant to Section 7-38-36.1 NMSA 1978 or a denial of a claim for an exemption by filing a claim for refund in the district court. Pursuant to Section 7-38-41 NMSA 1978, the portion of any property taxes paid to the County Treasurer that is not admitted to be due and is the subject of a claim for refund will be deposited in a "property tax suspense fund." Moneys in the property tax suspense fund may not be used for the payment of debt service on the Bonds.

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 24,037 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:

Terrie Dallman, President, Term ends 2021

Maria A. Flores, Vice President, Term Ends 2021

Ray Jaramillo, Member, Term ends 2021

Carol Cooper, Member, Term ends 2024

Teresa Tenorio, Member, Term ends 2024

Dr. Karen Trujillo, Superintendent. Dr. Karen Trujillo was named as the Superintendent of Las Cruces Public Schools in March 2020. Dr. Trujillo started her teaching career in Las Cruces in 1993 after receiving her bachelor's and master's degrees in mathematics education from NMSU. After teaching math at Las Cruces High School for 2 years, she returned to NMSU for school. In 1997, she started teaching GRADS and Social Studies at Cobre High School. She was also a RETA Coordinator in the Bootheel region through WNMU. She received her Ph.D. in 1998 and moved to Truth or Consequences in 2000. She taught math at Hot Springs High School for three years and continued working at NMSU with the RETA program and eventually Mathematically Connected Communities (MC2). In 2004, she returned to Las Cruces with her family. She served as the administrator at Las Cruces Catholic School from 2006 to 2010. In 2010 she worked at Alma D'Arte and NMSU. From 2010 to 2018, she worked at

NMSU in various capacities, teaching courses, working with educators, writing grants and conducting research. During that time, she started Educators Rising NM and the Southwest Outreach Academic Research Lab and served as the Interim Dean for Research. In 2019, she served as the New Mexico Secretary of Public Education for 6 months.

Edward Ellison, CFO, COO. Edward Ellison is Chief Financial Officer (CFO) at Las Cruces Public Schools (LCPS). In this position, Ellison is responsible for all accounting and finance functions, budget and forecasting, procurement, materials management and employee benefits. With an operating budget for fiscal year 2020 of \$418 million, Ellison is committed to ensuring proper fiscal procedures and controls are in place to provide the highest level of accountability to stakeholders.

1. Prior to being named CFO in 2018, Ellison was Assistant Superintendent of Finance where he focused on financial accounting and reporting. While in this position, he developed a data model to provide key insights into financial transactions to support organizational decision making. Prior to joining LCPS in 2010, he held other CFO roles in the healthcare and transportation industries. During his nearly 25-year career, Ellison established a reputation for accuracy, quality and integrity.
2. Ellison holds a Bachelor of Accountancy from New Mexico State University and graduated with honors. He is a member of the Association of Government Accountants (AGA), Government Finance Officers Association (GFOA) and New Mexico Association of School Business Officials (NMASBO). Ellison has been a Certified Public Accountant (CPA) in New Mexico since 1998.

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.

The agreements allow the District to "piggyback" onto price agreements and use Cooperative Purchasing entities such as CES (Cooperative Educational Services) and multi-district agreements to purchase food for the District's Student Nutrition Program. Without these procurement vehicles, the District would have to procure these services on their own and most likely would not receive the same discounts as they do when collaborating with other districts.

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, 2019 the replacement value of buildings is \$723,703,629 and contents of \$76,705,406 for a total of \$800,409,035 estimated for insurance purposes.

Enrollment

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:

	2015-16	2016-17	2017-18	2018-19	2019-20
Elementary	11,575	11,672	11,446	11,211	11,117
Middle	5,533	5,522	5,486	5,608	5,647
High School	7,013	7,132	7,174	7,259	7,273
Total	24,121	24,326	24,106	24,078	24,037

The District no longer has any schools chartered by the District

Source: New Mexico Public Education Department and the District.

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 2019, the District received \$1,896,330 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 2019, the District received \$540,000 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 2019, the District received \$183,640,470 from state sources. Such payments represented approximately 98.69% of actual fiscal year 2019 General Fund.

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⁾
2019-20	4,565.00	46,597.17	\$214,452,775
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

(1) Actual SEG payments net out revenue through Local and Federal sources and may not equal amount shown on audited financials.

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 2019, the District received \$873,090 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 2019, 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, 2019 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2019 and the last four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit_reports.

Assets	2015	2016	2017	2018	2019
Current Assets					
Cash and cash equivalents	\$64,123,519	\$65,657,250	\$74,506,658	\$86,179,442	\$100,599,914
Taxes receivable	9,839,188	16,460,057	10,472,528	9,815,618	21,204,633
Inventory	660,042	660,683	820,962	686,371	550,666
Total Current Assets	\$74,622,749	\$82,777,990	\$85,800,148	\$96,681,431	\$122,355,213
Non current assets					
Capital assets	515,228,866	532,487,274	560,384,076	577,307,429	626,737,732
Bond issuance costs	-	-	-	-	-
Less: accumulated depreciation	(143,803,653)	(157,970,730)	(172,403,543)	188,249,951	204,890,096
Total Noncurrent assets	371,425,213	374,516,544	387,980,533	389,057,478	421,847,636
Total Assets	\$ 446,047,962	\$ 457,294,534	\$ 473,780,681	\$ 485,738,909	\$ 544,202,849
Deferred Outflow of Resources					
Deferred outflow of resources related to pensions ⁽¹⁾	\$ 20,051,653	\$ 31,015,381	\$ 46,921,936	\$ 173,562,252	\$ 144,990,625
Liabilities					
Current Liabilities					
Accounts payable	\$14,042,178	\$13,298,658	\$16,468,903	\$14,912,532	\$14,787,333
Accrued expenses	1,562,680	1,559,065	1,782,891	2,339,368	1,766,886
Accrued compensated absences	870,512	2,079,889	2,970,132	2,885,765	2,879,134
Deferred revenue	1,937,311	2,090,524	-	-	-
Due to other funds	269	-	125	325	87
Current portion of long-term debt	11,923,591	15,007,532	10,843,138	10,741,973	14,037,653
Total Current Liabilities	\$ 30,336,541	\$ 34,035,668	\$ 32,065,189	\$ 30,879,963	\$ 33,471,093
Noncurrent Liabilities					
General Obligation bonds	\$131,206,716	\$133,432,452	\$144,652,397	\$149,041,240	\$145,714,022
Bond underwriter premiums	1,945,414	2,264,586	-	-	-
Net pension Liability	267,644,295	306,539,866	321,156,680	508,428,946	556,781,845
Net OPEB Liability ⁽²⁾	-	-	-	137,522,681	133,203,588
Accrued compensated absences	338,533	808,845	-	-	-
Total Noncurrent liabilities	\$ 401,134,958	\$ 443,045,749	\$ 465,809,077	\$ 794,992,867	\$ 835,699,455
Total Liabilities	\$ 431,471,499	\$ 477,081,417	\$ 497,874,266	\$ 825,872,830	\$ 869,170,548
Deferred Inflow of Resources					
Deferred inflow of resources related to premiums ⁽¹⁾	\$ 28,317,091	\$ 7,062,780	\$ 15,750,424	\$ 16,015,064	\$ 14,125,616
Net Assets					
Invested in capital assets, net of related debt	\$243,294,906	\$243,311,560	\$235,833,743	\$239,520,001	\$282,736,392
Restricted for:					
Debt service	14,663,673	15,703,612	14,324,236	15,845,548	18,097,058
Capital projects	10,542,184	16,385,704	20,153,573	18,595,038	25,290,587
Other	13,540,987	14,928,053	17,892,376	18,031,721	19,757,738
Unrestricted, undesignated ⁽¹⁾	(275,730,725)	(286,163,338)	(281,126,001)	(503,262,773)	(570,349,748)
Total Net Assets	\$ 6,311,025	\$ 4,165,591	\$ 7,077,927	\$ (211,270,465)	\$ (224,467,973)

(1) Attributable to GASB #68 and GASB #75

(2) Attributable to GASB #75

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 FY2019 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, 2019 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2019 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:	2015	2016	2017	2018	2019
Instruction:					
Direct Instruction	\$ (115,980,434)	\$ (119,235,031)	\$ (117,552,877)	\$ (159,352,534)	\$ (165,234,765)
Total Instruction	(115,980,434)	(119,235,031)	(117,552,877)	(159,352,534)	(165,234,765)
Support services:					
Student support services	(19,348,166)	(18,772,313)	(17,180,199)	(22,413,902)	(23,371,886)
Instruction support services	(8,493,092)	(7,655,332)	(6,236,687)	(8,197,485)	(8,434,165)
General administration	(2,807,048)	(2,272,411)	(1,712,800)	(2,757,357)	(3,415,596)
School administration	(7,542,992)	(6,351,339)	(11,992,486)	(15,345,155)	(17,891,621)
Other support services	(440,355)	(138,000)	-		
Central services	(4,349,243)	(4,072,058)	(5,446,356)	(7,519,440)	(9,487,172)
Operation & maintenance of plant	(22,197,421)	(23,118,883)	(22,357,888)	(26,560,952)	(26,745,863)
Pupil Transportation	(889,872)	(1,683,526)	(2,195,965)	(1,728,116)	(1,967,291)
Food services	298,198	335,130	1,499,386	(227,132)	(115,300)
Community services	(45,816)	(135,652)	(56,986)	(621,968)	(137,603)
Facilities, materials, supplies & other services	(28,045,211)	(14,890,530)	(7,361,862)	(5,591,013)	23,817,219
Interest/amortization on long-term debt	(3,544,272)	(6,497,647)	(5,440,419)	(6,033,426)	(5,017,897)
Depreciation	(473,659)	(9,059,704)	(15,191,338)	(16,285,003)	(148,135)
Total governmental activities	<u>(213,859,383)</u>	<u>(213,547,296)</u>	<u>(211,226,477)</u>	<u>(272,633,483)</u>	<u>(238,150,075)</u>
Revenues:					
Taxes					
Property Taxes for operating programs	1,188,724	1,207,885	1,232,071	1,276,009	1,309,230
Property Taxes for debt services	13,921,732	14,199,165	14,925,038	15,394,249	15,761,396
Property taxes for capital projects	15,179,284	15,477,120	15,728,360	16,259,330	16,735,958
Federal and state aid	177,186,544	180,348,430	174,733,903	180,662,016	184,995,474
Interest and investment earnings	69,263	130,918	299,113	679,098	1,709,640
Miscellaneous	59,693	49,504	2,492,154	3,369,449	440,869
Special item - loss on disposition of fixed assets	(35,925)	(11,080)	-	-	-
Special item - loss on defeasance on bonds	-	-	-	-	-
Transfers	-	-	-	-	-
Subtotal, general revenues	<u>207,569,315</u>	<u>211,401,942</u>	<u>209,410,639</u>	<u>217,640,151</u>	<u>220,952,567</u>
Changes in net assets	10,714,159	(2,145,354)	(1,815,838)	(54,993,332)	(13,197,508)
Net assets, beginning	\$ 288,174,755	\$6,311,025	\$4,165,591	\$7,077,927	-\$211,270,465
GASB 68 and 75 implementation	<u>(292,577,889)</u>	-	<u>4,728,174</u>	<u>(163,355,060)</u>	-
Nets assets, ending	<u>\$ 6,311,025</u>	<u>\$ 4,165,671</u>	<u>\$ 7,077,927</u>	<u>\$ (211,270,465)</u>	<u>\$ (224,467,973)</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 FY2019 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 2015 through 2019. See financial statements for the fiscal year ending June 30, 2019 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2019 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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
ASSETS:					
Cash & Investments	\$8,945,493	\$14,633,069	\$16,449,226	\$22,814,466	\$17,318,948
Taxes receivable	95,017	383,541	109,285	96,177	103,686
Interfund receivable	7,472,858	6,571,380	-	-	-
Inventory	306,024	251,350	235,829	248,748	247,036
Due from other governments	-	-	-	52	1,080,917
Other	-	-	19,249	9,666	136,584
Due from other funds	2,781	14,731	6,340,407	5,905,552	15,240,271
Total Assets	<u>\$ 16,822,173</u>	<u>\$ 21,854,071</u>	<u>\$ 23,153,996</u>	<u>\$ 29,074,661</u>	<u>\$ 34,127,442</u>
LIABILITIES AND EQUITY:					
Accounts payable	\$17,241	\$4,418	\$384,728	\$1,279,863	\$275,164
Accrued expenses	11,064,782	10,739,181	10,939,969	11,083,754	11,837,182
Due to other governments	224	36	-	-	3
Due to other funds	-	-	-	-	-
Deferred revenue	71,004	78,938	-	-	-
Total Liabilities	<u>\$ 11,153,251</u>	<u>\$ 10,822,573</u>	<u>\$ 11,324,697</u>	<u>\$ 12,363,617</u>	<u>\$ 12,112,349</u>
EQUITY:					
Deferred Inflows of Resources					
Unavailable Revenues	-	-	85,603	76,364	78,248
Fund balances:					
Nonspendable	\$306,024	\$251,350	\$235,829	\$248,748	\$247,036
Restricted	1,367,141	-	-	-	-
Reserved for inventory	-	-	9,927,620	10,731,266	17,498,814
Unreserved, undesignated	3,995,757	10,780,148	1,580,247	5,654,666	4,190,995
Total Equity	<u>\$ 5,668,922</u>	<u>\$ 11,031,498</u>	<u>\$ 11,743,696</u>	<u>\$ 16,634,680</u>	<u>\$ 21,936,845</u>
Total Liabilities and Equity	<u>\$ 16,822,173</u>	<u>\$ 21,854,071</u>	<u>\$ 23,153,996</u>	<u>\$ 29,074,661</u>	<u>\$ 34,127,442</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 FY2019 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 2015 through 2019. See financial statements for the fiscal year ending June 30, 2019 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2019 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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Local Sources	\$1,188,724	\$1,207,885	\$1,229,106	\$1,282,539	\$1,307,010
State Sources	184,604,801	186,851,177	175,442,109	181,472,142	185,915,634
Federal Sources	680,736	-	-	-	-
Charges for services	51,490	46,766	66,497	83,910	74,108
Earnings from Investments	24,881	53,385	137,360	295,143	2,288,229
Miscellaneous	<u>1,120,645</u>	<u>1,802,786</u>	<u>1,758,975</u>	<u>1,162,864</u>	<u>719,394</u>
Total Revenues	<u>\$ 187,671,277</u>	<u>\$ 189,961,999</u>	<u>\$ 178,634,047</u>	<u>\$ 184,296,598</u>	<u>\$ 190,304,375</u>
Expenditures:					
Administration					
General administration	\$1,840,180	\$1,278,562	\$1,342,642	\$1,956,083	\$2,386,761
School administration	13,060,716	11,703,922	11,410,807	11,005,571	12,443,066
Direct instruction	118,455,197	114,882,057	113,467,898	113,755,680	116,006,418
Student support services	16,709,494	15,950,824	16,286,769	16,662,948	16,724,407
Instruction support services	6,801,914	5,974,038	5,916,644	\$6,067,945	\$6,211,679
Central services	4,903,527	4,823,822	5,210,219	5,444,110	6,999,195
Pupil transportation	6,179,028	5,957,126	2,250,795	1,690,360	1,900,868
Operation/plant maintenance	22,096,744	22,874,579	21,851,025	22,710,869	22,158,756
Non-instructional support	440,355	138,075	-	2,181	-
Community services	38,733	78,167	53,986	29,116	98,429
Capital outlay	-	111,167	128,907	78,908	71,243
Other operational	-	-	-	-	-
Food services	<u>119,559</u>	<u>2,975</u>	<u>2,157</u>	<u>1,843</u>	<u>1,388</u>
Total Expenditures	<u>\$ 190,645,447</u>	<u>\$ 183,775,314</u>	<u>\$ 177,921,849</u>	<u>\$ 179,405,614</u>	<u>\$ 185,002,210</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ (2,974,170)</u>	<u>\$ 6,186,685</u>	<u>\$ 712,198</u>	<u>\$ 4,890,984</u>	<u>\$ 5,302,165</u>
Fund Balance					
Beginning of Year	\$8,750,643	\$5,668,922	\$11,031,498	\$11,743,696	\$16,634,680
Prior Period Adjustment	<u>(107,551)</u>	<u>-</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>\$ 5,668,922</u>	<u>\$ 11,031,498</u>	<u>\$ 11,743,696</u>	<u>\$ 16,634,680</u>	<u>\$ 21,936,845</u>

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

(2) See discussion in "FINANCES OF THE EDUCATIONAL PROGRAM - Recent Legislative Actions."

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 FY2019 audited financial statements is provided in Appendix B.

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 3,533 permanent employees of which 109 are administrators, 1,772 are teachers and other professional instructional personnel, 472 are instructional assistants, and 1,180 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
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
2019	406,549,056	303,442,092	13,544,691,114

Source: New Mexico Educational Retirement Board, Financial Report.

Funding Policy

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. For fiscal year ended June 30, 2019, 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 \$19,041,110 for the year ended June 30, 2019.

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.

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.

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, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018. At June 30, 2019, the District reported a liability of \$556,781,845 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, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2019, the District's proportion was 4.6823%, which was an increase from its proportion of 4.5749% measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$94,079,188.

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. Contributions to the OPEB plan from the District were \$2,738,728 for the year ended June 30, 2019.

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, 2018. Therefore, the employer's portion was established as of the measurement date June 30, 2018. At June 30, 2019, the District reported a liability of \$133,203,588 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, 2018. The contribution amounts were defined by Section 10-7C-15, NMSA 1978. At June 30, 2019, the District's proportion was 3.06331%.

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

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.

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. None of the initial purchasers of the Bonds, the Financial Advisor or 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 or 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 RELATING TO STATE EDUCATION SYSTEM

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

The District will enter into an undertaking (the "Undertaking"), in the form attached as Appendix E, for the benefit of the holders of the Bonds to provide (i) certain financial information by no later than March 31st of each year, beginning March 31, 2021 until the Bonds are no longer outstanding, and (ii) operating data, and to provide notice of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c2-12). A failure by the District to provide any information required thereunder shall not constitute an Event of Default under the Bond Resolution. The District has previously entered into continuing disclosure undertakings (each a "Prior Undertaking" and collectively, the "Prior Undertakings") with respect to certain other obligations of the District in accordance with Section Rule 15c2-12 and except as described below, during the last five years, the District has complied in all material respects with those Prior Undertakings.

Compliance with Prior Undertakings

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

LITIGATION

In the opinion of various officials of the District, except as disclosed in this Official Statement, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body contesting the validity of the Bonds or the use of Bond proceeds, the corporate existence of the District or the titles of its officers or contesting or affecting the District's ability to receive taxes that could be used for Bond payments.

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 or marketability of the Bonds and/or Notes.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

With respect to an escrow to be established to pay the Refunded Bonds being refunded by the Bonds, the arithmetical accuracy of certain computations included in the schedules provided by RBC Capital Markets, LLC on behalf of the District regarding computation of the sufficiency of the anticipated receipts from the Federal Securities, together with the initial cash deposit, if any, to pay, when due, the principal, interest and early redemption premium requirements, if any, of the Refunded Bonds, are examined by Causey, Demgen & Moore, PC. Such computations were completed using certain assumptions and information provided by RBC Capital Markets, LLC on behalf of the District. Causey, Demgen & Moore, PC has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. The report will be relied upon by Bond Counsel in rendering its opinion with respect to the tax exemption of interest on the Bonds and with respect to the defeasance of the Refunded Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated, as the sole book-running managing underwriter (the "Underwriter"), has agreed, subject to certain conditions, to purchase the Bonds from the District at the prices indicated on the inside front cover of this Official Statement, less an underwriting discount of \$96,233.37, and no accrued interest. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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.

The District will furnish to the Underwriter complete transcripts of proceedings incident to the authorization and issuance of the Bonds. Although it may represent the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds and Notes. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas whose fee is contingent upon the sale and delivery of the Bonds.

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

DISCLOSURE CERTIFICATE

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

ADDITIONAL MATTERS

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

FORWARD LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking

statements. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

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/ Terrie Dallman

Terrie Dallman, President, Board of Education

/s/ Ray Jaramillo

Ray Jaramillo, 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 17,684 jobs in June 2019. The remaining non-agricultural jobs are in manufacturing (2,728), wholesale/retail trade (8,480), natural resources, mining and construction (3,754), transportation/warehousing/utilities (2,139), information (622), finance and insurance (1,690) and all other services (36,344)¹

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.

See also “Infectious Disease Outbreak – COVID-19” and “Potential Impact of COVID-19” for a discussion of potential implications to economic conditions in the Las Cruces MSA.

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), Calculex (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 2019 enrollment of 24,041 students (including four branch campuses). Main campus Fall 2019 enrollment was 14,298.² 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

¹New Mexico Department of Workforce Solutions, *Quarterly Census of Employment and Wages Program*

² NMSU Stabilizes Enrollment, Posts Increase in System Headcount <https://newscenter.nmsu.edu/Articles/view/13844/nmsu-stabilizes-enrollment-posts-increase-in-system-headcount>

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

Doña Ana County is home to 1,946 private and commercial farms and ranks third for farm commodity production. The County excels in pecans, bearing more than half of the state production and ranks fourth in the state for hay production. Other principal crops include cotton, alfalfa, onions, lettuce, chile, barley, and nursery stock. 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. Doña Ana County has 66,000 heads of cattle with about 30,000 of those being milk cows. Several chile processing plants are located in the area with seasonal employment growing to near 1,000.¹

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.

¹ 2018 New Mexico Agricultural Statistics

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⁾	105,591	218,867	2,091,198
2024 ⁽¹⁾	107,221	223,193	2,110,284
Projected Growth 2019-2024 ⁽²⁾	1.54%	1.98%	0.91%

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

1) Estimates. Source: Spotlight, March 2020.

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 December 2019.

Age Group	Las Cruces MSA	New Mexico	United States
0 - 17	24.00%	23.90%	22.80%
18 - 24	13.10%	9.80%	9.80%
25 - 34	13.60%	13.30%	13.40%
35 - 44	12.50%	11.87%	12.60%
45 - 54	10.10%	11.90%	13.10%
55 and Older	26.70%	29.23%	28.30%

Source: Spotlight, December 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%	32.58%	40.46%
2015 Est. Median Household Income	\$40,884	\$45,633	\$53,706
2016 Est. Median Household Income	\$37,471	\$45,445	\$55,551
2017 Est. Median Household Income	\$40,124	\$47,043	\$57,462
2018 Est. Median Household Income	\$40,551	\$48,044	\$60,133
2019 Est. Median Household Income	\$43,267	\$49,654	\$62,279

Source: Spotlight, December 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
2019	\$1,683,842,897	\$6,241,908,630	\$28,911,739,542	\$134,275,902,327
2018	1,635,661,655	5,575,539,939	19,794,918,932	123,862,735,598
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

Source: New Mexico Taxation & Revenue Department.

Employment

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

Year ⁽¹⁾	Las Cruces MSA		State of New Mexico		United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2020 ⁽²⁾	97,533	6.10%	958,283	5.00%	4.00%
2019	99,907	5.20%	954,596	4.90%	3.70%
2018	96,769	5.70%	957,396	4.60%	3.50%
2017	94,943	6.20%	929,567	6.20%	4.40%
2016	95,001	7.20%	927,355	6.70%	4.90%
2015	93,179	7.40%	919,889	6.60%	5.30%
2014	92,462	6.50%	918,206	6.50%	6.20%
2013	92,219	6.90%	922,960	6.90%	7.40%
2012	92,928	7.20%	928,050	7.10%	8.10%
2011	92,159	6.50%	929,862	7.60%	8.90%

1) - Numbers are annual averages.

2) - Data for the month of January 2020. Numbers are Preliminary.

Source: U.S. Bureau of Labor Statistics, March 2020.

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).

	2015	2016	2017	2018	2019 ⁽¹⁾
Grand Total	70,746	71,700	71,077	73,768	73,419
Total Private	53,050	54,000	53,821	55,878	55,735
Accommodation and Food Services	6,903	7,246	7,269	7,321	7,537
Administrative and Waste Services	3,022	2,952	2,837	4,669	3,842
Agriculture, Forestry, Fishing & Hunting	3,382	3,272	3,256	2,904	2,876
Arts, Entertainment, and Recreation	921	932	933	928	1,004
Construction	3,517	3,668	3,632	3,593	3,711
Educational Services	551	562	707	694	691
Finance and Insurance	1,774	1,761	1,725	1,685	1,690
Health Care and Social Assistance	13,350	14,061	14,212	14,567	14,638
Information	840	683	617	678	622
Management of Companies and Enterprises	41	47	45	43	61
Manufacturing	2,266	2,363	2,357	2,498	2,728
Mining	17	25	35	41	43
Other Services, Ex. Public Admin	1,202	1,233	1,194	1,218	1,215
Professional and Technical Services	3,822	3,768	3,560	3,408	3,673
Real Estate and Rental and Leasing	789	774	778	779	785
Retail Trade	7,579	7,522	7,496	7,542	7,190
Transportation and Warehousing	1,424	1,514	1,603	1,723	1,727
Utilities	434	434	423	406	412
Wholesale Trade	1,220	1,235	1,169	1,180	1,290
Total Government	17,695	17,700	17,256	17,890	17,684

(1) Data as of Second Quarter of 2019.

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.

2020 Major Employers of Dona Ana County
1,000 - 4,999 Employees
City of Las Cruces
Gadsden ISD
Las Cruces Public School
Memorial Medial Center
New Mexico State University
Walmart
White Sands Missile Range
500-999 Employees
Addus Health Care
Keystone Consolidated Industries
Doña Ana Branch Community College
Doña Ana County
Mountain View Regional Medical Center
Sunland Park Racetrack/Casino
Physical Science Lab
Peak Behavioral Health Svc Inc
Quintana Learning Center

Source: Mesilla Valley Economic Development Authority, January 2020.

APPENDIX B

**JUNE 30, 2019
AUDITED FINANCIAL STATEMENTS**

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

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**



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**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	13
STATEMENT OF ACTIVITIES	15
BALANCE SHEET – GOVERNMENTAL FUNDS	16
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	17
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (11000)	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – PUPIL TRANSPORTATION SPECIAL REVENUE FUND (13000)	21
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – INSTRUCTIONAL MATERIALS SPECIAL REVENUE FUND (14000)	22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – TITLE I IASA SPECIAL REVENUE FUND (24101)	23
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – ENTITLEMENT IDEA-B SPECIAL REVENUE FUND (24106)	24
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS	25
NOTES TO FINANCIAL STATEMENTS	26

STATE OF NEW MEXICO
 LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
 TABLE OF CONTENTS
 YEAR ENDED JUNE 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	60
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS	60
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	61
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS	61
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	62

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	63
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	64
SPECIAL REVENUE FUNDS	65
CAPITAL PROJECTS FUNDS	70
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS	71
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS	79
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS (REQUIRED BY 2.2.2 NMAC)	87
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS (REQUIRED BY 2.2.2 NMAC)	88
SCHEDULE OF CASH AND TEMPORARY INVESTMENTS (REQUIRED BY 2.2.2 NMAC)	89
CASH RECONCILIATION SCHEDULE (REQUIRED BY 2.2.2 NMAC)	90
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	92
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	94
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	95

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	97
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	100
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	110
EXIT CONFERENCE	111

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
OFFICIAL ROSTER
JUNE 30, 2019**

Board of Education

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

School Officials

Dr. Karen Trujillo	Interim 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. Brian Colón, 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, 2019, and the related notes to the financial statements, which collectively comprise the entity'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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and the budgetary comparisons for the general fund and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discuss and analysis on pages 5 through 12, the Schedules of Proportionate Share of the Net Pension Liability/Contributions starting on page 60, and the Schedules of Proportionate Share of Net OPEB Liability/Contributions starting on page 61 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 Districts 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 is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and 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 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, 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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 14, 2019

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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, 2019. 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 2019 are as follows:

- Program revenue from Capital Grants and contributions increased by \$46.2 million (Table A-2). This is primarily due to capital contributions from the Public School Finance Authority (PSFA) for the renovation of Las Cruces High School.
- State Equalization Guarantee (SEG) revenue increased by \$4.3 million (Table A-2). This due to an increase in the unit value utilized in SEG funding formula.
- Current and Other Assets increased from the prior year by \$25.6 million or 27% (Table A-1). This was primarily due to the issuance of bonds and a delay in the start of capital projects.
- The district had \$337 million in expenses related to governmental activities; \$99.7 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 \$224.9 million were adequate to provide for these programs.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand 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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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 2019?" 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, 2019**

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

	FY 2019	FY 2018	Amount Change	Total % Change
Assets:				
Current and Other Assets	\$ 122,355,213	\$ 96,681,431	\$ 25,673,782	27%
Capital and Non-Current Assets	421,847,636	389,057,478	32,790,158	8%
Total Assets	544,202,849	485,738,909	58,463,940	12%
Deferred Outflows of Resources	149,042,697	176,178,358	(27,135,661)	-15%
Total Assets and Deferred Outflows of Resources	\$ 693,245,546	\$ 661,917,267	\$ 31,328,279	5%
Liabilities:				
Current Liabilities	\$ 33,471,093	\$ 30,879,963	\$ 2,591,130	8%
Long-Term Liabilities	835,699,455	794,992,867	40,706,588	5%
Total Liabilities	869,170,548	825,872,830	43,297,718	5%
Deferred Inflows of Resources	48,542,971	47,314,902	1,228,069	3%
Net Position:				
Net Investment in Capital Assets	282,736,392	239,520,001	43,216,391	18%
Restricted	63,145,383	52,472,307	10,673,076	20%
Unrestricted	(570,349,748)	(503,262,773)	(67,086,975)	13%
Total Net Position	(224,467,973)	(211,270,465)	(13,197,508)	6%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 693,245,546	\$ 661,917,267	\$ 31,328,279	5%

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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

	FY 2019	FY 2018	Amount Change	Total % Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 3,946,415	\$ 3,872,934	\$ 73,481	2%
Capital Grants and Contributions	46,474,816	249,182	46,225,634	18551%
Operating Grants and Contributions	49,279,710	43,288,262	5,991,448	14%
Total Program Revenues	99,700,941	47,410,378	52,290,563	110%
General Revenues:				
State Equalization Guarantee	184,995,474	180,662,016	4,333,458	2%
Property Taxes	33,806,584	32,929,588	876,996	3%
Unrestricted Investment Earnings	1,709,640	679,098	1,030,542	152%
Miscellaneous	4,440,869	3,369,449	1,071,420	32%
Total General Revenues	224,952,567	217,640,151	7,312,416	3%
Total Revenues	324,653,508	265,050,529	59,602,979	22%
Expenses:				
Instruction	183,984,135	173,749,296	10,234,839	6%
Support Services	67,792,562	62,500,758	5,291,804	8%
Central Services	9,526,922	7,545,472	1,981,450	26%
Operation and Maintenance of Plant	26,921,035	26,694,319	226,716	1%
Student Transportation	7,141,553	6,368,519	773,034	12%
Food Services Operations	14,427,220	14,323,055	104,165	1%
Community Services Operations	225,020	648,119	(423,099)	-65%
Facilities, Materials, Supplies and Other Services	22,666,537	5,895,894	16,770,643	284%
Interest on Long-Term Debt	5,017,897	6,033,426	(1,015,529)	-17%
Unallocated Depreciation	148,135	16,285,003	(16,136,868)	-99%
Total Expenses	337,851,016	320,043,861	17,807,155	6%
CHANGE IN NET POSITION	(13,197,508)	(54,993,332)	41,795,824	-76%
Net Position - Beginning of Year	(211,270,465)	7,077,927	(218,348,392)	-3085%
Restatement	-	(163,355,060)	163,355,060	-100%
Net Position - Beginning of Year, As Restated	(211,270,465)	(156,277,133)	(54,993,332)	35%
NET POSITION - END OF YEAR	\$ (224,467,973)	\$ (211,270,465)	\$ (13,197,508)	6%

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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-two percent (82%) 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 \$291.3 million and expenditures and other financing uses of \$265.6 million. The net change in fund balance for the year was an increase of \$25.7 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 2019 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 \$205.2 million. Actual expenditures were \$186 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, 2019**

Actual revenues for the general fund were \$189 million, with revenues from state sources constituting 98% of this total. Actual revenues exceeded actual expenditures by \$3.1 million.

Significant Variations Between Original and Final Budgets

	<u>Original</u>	<u>Final</u>	<u>Change</u>	<u>% Change</u>
General Fund:				
Revenue	\$ 186,076,800	\$ 187,479,920	\$ (1,403,120)	(0.7)%
Expenditures	196,848,066	205,156,184	(8,308,118)	(4.0)%

Budgeted revenue increased by \$1.4 million or 0.7% 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 2019. The District is required by state law to have a balanced budget. The difference between the final budget Revenue and Expenditures of \$17.6 million is the final cash balance at June 30, 2018.

Capital Assets and Debt Administration

Capital Assets

During the 2019 fiscal year, the District had a net change of \$32.8 million. The majority of additions are attributable to the completion of renovations at Las Cruces High School. At the end of fiscal year 2019, the District had \$619.4 million invested in depreciable assets, with accumulated depreciation of \$204.9 million, \$6.8 million in land and \$402 thousand in construction in progress (see note 6). A following is a summary of the District's capital assets, net of depreciation, at June 30, 2019 and 2018.

	<u>Balance, June 30, 2018</u>	<u>Additions</u>	<u>Deletions & Transfers</u>	<u>Balance June 30, 2019</u>
Capital Assets Not Being Depreciated	\$ 8,514,731	\$ 2,950,195	\$ (4,212,605)	\$ 7,222,388
Land Improvements	30,817,391	718,212	-	31,574,371
Buildings and Building Improvements	511,055,956	49,272,605	-	560,325,835
Equipment and Vehicles	26,919,351	1,483,921	(827,246)	27,615,138
Less Accumulated Depreciation	(188,249,951)	(17,792,455)	784,869	(204,890,096)
Capital Assets, Net	<u>\$ 389,057,478</u>	<u>\$ 36,632,478</u>	<u>\$ (4,254,982)</u>	<u>\$ 421,847,636</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

Debt

At June 30, 2019, the District had outstanding bonds payable of \$125.2 million and capital lease obligation of \$30.2 million, for total indebtedness of \$155.4 million. A summary of long-term debt at June 30, 2019 and 2018 is presented below.

	Balance, June 30, 2018	Additions	Deletions	Balance June 30, 2019
Bonds Payable	\$ 123,185,000	\$ 12,250,000	\$ (10,250,000)	\$ 125,185,000
Capital Lease	31,969,313	-	(1,746,473)	30,222,840
Compensated Absences	2,885,765	1,441,423	(1,448,054)	2,879,134
Total Long-Term Debt	<u>\$ 158,040,078</u>	<u>\$ 13,691,423</u>	<u>\$ (13,444,527)</u>	<u>\$ 158,286,974</u>

The District is bonded to 71.17% of the legal limit of \$212.8 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:

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

Factors Impacting Future Periods

On November 13, 2019, Architectural Research Consultants, Inc. (ARC) presented the results of a Facility Master Plan (FMP) they were engaged to complete. The results depicted a significant shift in the residential location of school aged children within the boundaries of Las Cruces Public Schools. Schools in the north eastern region are experiencing significant gains in student enrollment, while schools in the central metropolitan area are experiencing a significant decrease in student enrollment. The results of the FMP will impact future capital expenditures.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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.net. Questions about this report or additional financial information needs should be directed to:

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**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and Cash Equivalents	\$ 76,365,587
Investments	24,234,327
Receivables, Net	21,204,633
Inventory	550,666
Total Current Assets	<u>122,355,213</u>
 Noncurrent Assets:	
Capital Assets:	
Construction in Progress	402,682
Art	20,700
Land	6,799,006
Land Improvements	31,574,371
Building and Building Improvements	560,325,835
Equipment and Vehicles	27,615,138
	<u>626,737,732</u>
 Less: Accumulated Depreciation	<u>204,890,096</u>
Total Noncurrent Assets	<u>421,847,636</u>
 Total Assets	544,202,849
 Deferred Outflows of Resources Related to the Net Pension Liability	144,990,625
Deferred Outflows of Resources Related to the Net OPEB Liability	<u>4,052,072</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u><u>\$ 693,245,546</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, 2019**

	<u>Governmental Activities</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities:	
Accounts Payable	\$ 1,034,727
Due to Government	87
Accrued Liabilities	13,752,606
Current Portion of Accrued Compensated Absences	2,879,134
Accrued Interest	1,766,886
Current Portion of Capital Lease Obligation	1,817,653
Current Portion of Bonds Payable	12,220,000
Total Liabilities	<u>33,471,093</u>
Noncurrent Liabilities:	
Net Pension Liability	556,781,845
Net OPEB Liability	133,203,588
Capital Lease Obligation Due in More than One Year	28,405,187
Bonds Due in More than One Year, Net of Premiums	117,308,835
Total Noncurrent Liabilities	<u>835,699,455</u>
Total Liabilities	869,170,548
Deferred Inflows of Resources Related to the Net Pension Liability	14,125,616
Deferred Inflows of Resources Related to the Net OPEB Liability	34,417,355
Net Investment in:	
Capital Assets	282,736,392
Restricted for:	
Capital Projects	25,290,587
Debt Service	18,097,058
Other	19,757,738
Unrestricted (Deficit)	<u>(570,349,748)</u>
Total Net Position	<u>(224,467,973)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 693,245,546</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT					
Governmental Activities:					
Instruction	\$ 183,984,135	\$ 2,052,324	\$ 16,697,046	\$ -	\$ (165,234,765)
Support Services:					
Students	32,809,173	-	9,437,287	-	(23,371,886)
Instruction	12,478,496	-	4,044,331	-	(8,434,165)
General Administration	4,254,254	-	838,658	-	(3,415,596)
School Administration	18,250,639	-	359,018	-	(17,891,621)
Central Services	9,526,922	-	39,750	-	(9,487,172)
Operation and Maintenance of Plant	26,921,035	-	175,172	-	(26,745,863)
Student Transportation	7,141,553	-	5,174,262	-	(1,967,291)
Food Services Operations	14,427,220	1,894,091	12,417,829	-	(115,300)
Community Services Operations	225,020	-	87,417	-	(137,603)
Facilities, Materials, Supplies, and Other Services	22,666,537	-	8,940	46,474,816	23,817,219
Interest on long-term debt	5,017,897	-	-	-	(5,017,897)
Unallocated Depreciation	148,135	-	-	-	(148,135)
Total Governmental Activities	\$ 337,851,016	\$ 3,946,415	\$ 49,279,710	\$ 46,474,816	(238,150,075)
General Revenues:					
Property Taxes:					
Levied for General Purposes					1,309,230
Levied for Debt Services					15,761,396
Levied for Capital Projects					16,735,958
State Equalization Guarantee Revenue					184,995,474
Unrestricted Investment Earnings					1,709,640
Miscellaneous					4,440,869
Total General Revenues					<u>224,952,567</u>
CHANGE IN NET POSITION					(13,197,508)
Net Position - Beginning of Year					<u>(211,270,465)</u>
NET POSITION - END OF YEAR					<u>\$ (224,467,973)</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Major Funds								Other Governmental Funds	Total Governmental Funds
	11000 General Fund	13000 Pupil Transportation	14000 Instructional Materials	24101 Title I IASA	24106 Entitlement IDEA-B	31100/31101 Bond Building	31600 Capital Improvements HB-33	41000 Debt Service		
ASSETS										
Cash and Cash Equivalents	\$ 11,318,948	\$ -	\$ 740,466	\$ 430,894	\$ 322,650	\$ 21,187,547	\$ 17,152,086	\$ 14,120	\$ 25,198,876	\$ 76,365,587
Investments	6,000,000	-	-	-	-	-	-	18,208,965	25,362	24,234,327
Accounts Receivable:										
Taxes	103,686	-	-	-	-	-	791,556	1,213,971	528,763	2,637,976
Due from Other Governments	1,080,917	-	60,226	5,938,643	4,547,142	-	-	-	6,775,514	18,402,442
Due from Other Funds	15,240,271	-	-	-	-	-	-	-	-	15,240,271
Other	136,584	-	-	-	-	-	-	27,070	561	164,215
Inventory	247,036	-	-	-	-	-	-	-	303,630	550,666
Total Assets	\$ 34,127,442	\$ -	\$ 800,692	\$ 6,369,537	\$ 4,869,792	\$ 21,187,547	\$ 17,943,642	\$ 19,464,126	\$ 32,832,706	\$ 137,595,484
LIABILITIES										
Accounts Payable	\$ 275,164	\$ -	\$ -	\$ 7,649	\$ 15,209	\$ 262,047	\$ 40,596	\$ -	\$ 434,062	\$ 1,034,727
Due to Government	3	-	-	-	-	-	-	-	84	87
Accrued Expenses	11,837,182	-	-	430,822	322,686	-	-	-	1,161,916	13,752,606
Due to Other Funds	-	-	-	5,931,066	4,531,897	-	-	-	4,777,308	15,240,271
Total Liabilities	12,112,349	-	-	6,369,537	4,869,792	262,047	40,596	-	6,373,370	30,027,691
DEFERRED INFLOWS OF RESOURCES										
Unavailable Revenues	78,248	-	-	-	-	-	598,468	917,169	399,818	1,993,703
FUND BALANCES										
Nonspendable	247,036	-	-	-	-	-	-	-	303,630	550,666
Restricted by Grantor	-	-	800,692	-	-	-	-	-	18,653,416	19,454,108
Restricted for Debt Service	-	-	-	-	-	-	-	18,546,957	-	18,546,957
Restricted for Capital Projects	-	-	-	-	-	20,925,500	17,304,578	-	7,102,472	45,332,550
Assigned	17,498,814	-	-	-	-	-	-	-	-	17,498,814
Unassigned	4,190,995	-	-	-	-	-	-	-	-	4,190,995
Total Fund Balances	21,936,845	-	800,692	-	-	20,925,500	17,304,578	18,546,957	26,059,518	105,574,090
Total Liabilities and Fund Balances	\$ 34,127,442	\$ -	\$ 800,692	\$ 6,369,537	\$ 4,869,792	\$ 21,187,547	\$ 17,943,642	\$ 19,464,126	\$ 32,832,706	\$ 137,595,484

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, 2019**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 105,574,090
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
The Cost of Capital Assets is	626,737,732
Accumulated Depreciation is	(204,890,096)
Total Capital Assets	421,847,636
<p>Deferred inflow and outflows of resources related to the net pension liability and not reported in the funds.</p>	
Deferred Outflows of Resources Related to the Net Pension Liability	144,990,625
Deferred Outflows of Resources Related to the Net OPEB Liability	4,052,072
Deferred Inflows of Resources Related to the Net Pension Liability	(14,125,616)
Deferred Inflows of Resources Related to the Net OPEB Liability	(34,417,355)
Deferred Inflows of Resources - Unavailable Property Taxes	1,993,703
<p>Original bond issue discounts and premiums are not financial resources and, therefore, are not reported in the funds.</p>	
Bond Issuance Premiums Net of Accumulated Amortization	(4,343,835)
<p>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.</p>	
<p>Long-term and other liabilities at year end consist of:</p>	
Accrued Interest	(1,766,886)
Accrued Compensated Absences	(2,879,134)
Capital Lease Obligation	(30,222,840)
General Obligation Bonds	(125,185,000)
Net OPEB Liability	(133,203,588)
Net Pension Liability	(556,781,845)
Net Position of Governmental Activities (Statement of Net Position)	\$ (224,467,973)

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, 2019**

	Major Funds								Other Governmental Funds	Total Governmental Funds
	11000 General Fund	13000 Pupil Transportation	14000 Instructional Materials	24101 Title I IASA	24106 Entitlement IDEA-B	31100/31101 Bond Building	31600 Capital Improvements HB-33	41000 Debt Service		
REVENUES										
Property Taxes	\$ 1,307,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,997,345	\$ 15,734,672	\$ 6,710,236	\$ 33,749,263
State Grants	185,915,634	4,325,035	873,090	-	-	-	-	-	5,734,267	196,848,026
Federal Grants	-	-	-	10,015,785	6,166,226	-	-	-	22,059,795	38,241,806
Charges for Services	74,108	-	-	-	-	-	-	-	3,872,307	3,946,415
Miscellaneous	2,288,229	-	23,540	-	-	16,800	37,509	-	29,961	2,396,039
Local and Private Sources	124	-	-	-	-	-	-	-	2,044,706	2,044,830
Interest	719,270	-	-	-	-	386,591	286,412	201,159	116,208	1,709,640
Total Revenues	190,304,375	4,325,035	896,630	10,015,785	6,166,226	403,391	10,321,266	15,935,831	40,567,480	278,936,019
EXPENDITURES										
Current:										
Instruction	116,006,418	-	314,481	6,282,962	2,248,383	-	-	-	9,634,306	134,486,550
Support Services:										
Students	16,724,407	-	-	793,472	3,554,742	-	-	-	4,235,676	25,308,297
Instruction	6,211,679	-	-	2,626,184	-	-	-	-	1,533,947	10,371,810
General Administration	2,386,761	-	-	254,006	158,227	-	99,550	156,700	546,886	3,602,130
School Administration	12,443,066	-	-	51,063	247	-	-	-	245,819	12,740,195
Central Services	6,999,195	-	-	-	-	-	-	-	3,946	7,003,141
Operations and Maintenance of Plant	22,158,756	-	-	4,958	35	-	-	-	59,514	22,223,263
Student Transportation	1,900,868	4,325,035	-	-	204,592	-	-	-	635,181	7,065,676
Other Support Services	-	-	-	-	-	-	-	-	-	-
Food Service Operations	1,388	-	-	-	-	-	-	-	14,260,303	14,261,691
Community Service	98,429	-	-	3,140	-	-	-	-	83,787	185,356
Facilities, Materials, and Supplies	71,243	-	-	-	-	2,419,425	2,294,355	-	5,882,307	10,667,330
Debt Service:										
Principal	-	-	-	-	-	-	1,746,473	10,250,000	-	11,996,473
Interest	-	-	-	-	-	-	1,256,146	4,334,233	-	5,590,379
Bond Issuance Costs	-	-	-	-	-	124,250	-	-	-	124,250
Total Expenditures	185,002,210	4,325,035	314,481	10,015,785	6,166,226	2,543,675	5,396,524	14,740,933	37,121,672	265,626,541
DEFICIENCY OF REVENUES UNDER EXPENDITURES	5,302,165	-	582,149	-	-	(2,140,284)	4,924,742	1,194,898	3,445,808	13,309,478
OTHER FINANCING SOURCES (USES)										
Bond Issuance Premiums	-	-	-	-	-	182,420	-	-	-	182,420
Proceeds from Bond Issues	-	-	-	-	-	12,250,000	-	-	-	12,250,000
Proceeds of refunding bonds	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-	58,170	-	58,170
Operating Transfers Out	-	-	-	-	-	(58,170)	-	-	-	(58,170)
Net Other Financing Sources (Uses)	-	-	-	-	-	12,374,250	-	58,170	-	12,432,420
NET CHANGE IN FUND BALANCES	5,302,165	-	582,149	-	-	10,233,966	4,924,742	1,253,068	3,445,808	25,741,898
Fund Balances - Beginning	16,634,680	-	218,543	-	-	10,691,534	12,379,836	17,293,889	22,613,710	79,832,192
FUND BALANCES - ENDING	\$ 21,936,845	\$ -	\$ 800,692	\$ -	\$ -	\$ 20,925,500	\$ 17,304,578	\$ 18,546,957	\$ 26,059,518	\$ 105,574,090

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, 2019**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ 25,741,898
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.	(75,035,078)
Expenses related to the net OPEB liability not reported in the funds.	2,637,542
Unavailable Revenue - Property Taxes	57,321
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	(17,792,455)
Capital Outlay	4,552,160
Donated Asset (PSFA)	45,660,168
Capital Assets Adjustments	412,662
Loss on Disposal of Capital Assets	(42,377)
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	467,485
Bond Underwriter Premiums	(182,420)
Decrease in Accrued Interest Payable	572,482
Decrease in Accrued Compensated Absences	6,631
Bond Proceeds	(12,250,000)
Principal Payments on Bonds	10,250,000
Capital Lease Payments	1,746,473
Change in Net Position of Governmental Activities (Statement of Activities)	\$ (13,197,508)

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 – GENERAL FUND (11000)
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 1,271,330	\$ 1,271,330	\$ 1,301,385	\$ 30,055
State Grants	183,640,470	185,043,590	185,105,660	62,070
Federal Grants	540,000	540,000	852,483	312,483
Charges for Services	40,000	40,000	74,492	34,492
Miscellaneous	510,000	510,000	1,084,090	574,090
Interest	75,000	75,000	672,449	597,449
Total Revenues	<u>186,076,800</u>	<u>187,479,920</u>	<u>189,090,559</u>	<u>1,610,639</u>
EXPENDITURES				
Current:				
Instruction	120,448,241	124,611,484	115,967,172	8,644,312
Support Services:				
Students	17,571,390	18,195,819	16,725,026	1,470,793
Instruction	6,078,553	6,507,250	6,234,728	272,522
General Administration	2,301,997	2,762,935	2,420,170	342,765
School Administration	12,821,806	13,391,097	12,438,130	952,967
Central Services	6,153,956	7,523,106	6,980,965	542,141
Operation/Maintenance of Plant	23,532,811	24,429,542	23,168,014	1,261,528
Student Transportation	1,379,456	1,926,925	1,900,953	25,972
Other Support Services	6,461,636	5,628,606	-	5,628,606
Food Services Operations	5,000	5,000	1,388	3,612
Community Services	93,220	99,420	98,428	992
Capital Outlay	-	75,000	71,243	3,757
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>196,848,066</u>	<u>205,156,184</u>	<u>186,006,217</u>	<u>19,149,967</u>
DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES				
	(10,771,266)	(17,676,264)	3,084,342	20,760,606
Designated Cash	<u>10,771,266</u>	<u>17,676,264</u>	<u>-</u>	<u>(17,676,264)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>3,084,342</u>	<u>\$ 3,084,342</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			1,213,816	
Adjustments to Expenditures			<u>1,004,007</u>	
Net Changes in Fund Balance (GAAP Basis)			<u>\$ 5,302,165</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, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	4,325,035	4,325,035	4,325,035	-
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total Revenues	<u>4,325,035</u>	<u>4,325,035</u>	<u>4,325,035</u>	<u>-</u>
EXPENDITURES				
Current:				
Instruction	-	-	-	-
Support Services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation/Maintenance of Plant	-	-	-	-
Student Transportation	4,325,035	4,325,035	4,325,035	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>4,325,035</u>	<u>4,325,035</u>	<u>4,325,035</u>	<u>-</u>
DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>-</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>\$ -</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, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	812,865	873,090	812,864	(60,226)
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous	-	-	23,540	23,540
Interest	-	-	-	-
Total Revenues	<u>812,865</u>	<u>873,090</u>	<u>836,404</u>	<u>(36,686)</u>
EXPENDITURES				
Current:				
Instruction	812,865	1,091,633	314,481	777,152
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	<u>812,865</u>	<u>1,091,633</u>	<u>314,481</u>	<u>777,152</u>
DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES				
	-	(218,543)	521,923	740,466
Designated Cash	-	218,543	-	(218,543)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>521,923</u>	<u>\$ 521,923</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			60,226	
Adjustments to Expenditures			-	
Net Changes in Fund Balance (GAAP Basis)			<u>\$ 582,149</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, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants				-
Federal Grants	9,025,973	11,807,476	6,150,000	(5,657,476)
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total Revenues	<u>9,025,973</u>	<u>11,807,476</u>	<u>6,150,000</u>	<u>(5,657,476)</u>
EXPENDITURES				
Current:				
Instruction	5,976,163	7,613,723	6,278,559	1,335,164
Support Services:				
Students	1,021,765	971,317	793,473	177,844
Instruction	1,702,713	2,822,147	2,626,185	195,962
General Administration	225,252	295,209	254,006	41,203
School Administration	63,380	68,380	51,062	17,318
Central Services	-	-	-	-
Operation/Maintenance of Plant	11,700	11,700	4,854	6,846
Student Transportation	15,000	15,000	-	15,000
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	10,000	\$10,000.00	3,139	6,861
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>9,025,973</u>	<u>11,807,476</u>	<u>10,011,278</u>	<u>1,796,198</u>
DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES				
	-	-	(3,861,278)	(3,861,278)
Designated Cash	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(3,861,278)</u>	<u>\$ (3,861,278)</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			3,865,785	
Adjustments to Expenditures			(4,507)	
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, 2019**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Federal Grants	-	8,303,415	3,704,787	(4,598,628)
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total Revenues	-	8,303,415	3,704,787	(4,598,628)
EXPENDITURES				
Current:				
Instruction	-	3,355,493	2,378,253	977,240
Support Services:				
Students	-	4,527,090	3,549,707	977,383
Instruction	-	-	-	-
General Administration	-	208,840	158,227	50,613
School Administration	-	400	247	153
Central Services	-	-	-	-
Operation/Maintenance of Plant	-	\$7,000.00	35	6,965
Student Transportation	-	\$204,592.00	204,592	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	8,303,415	6,291,061	2,012,354
DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES				
	-	-	(2,586,274)	(2,586,274)
Designated Cash	-	-	-	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(2,586,274)	\$ (2,586,274)
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			2,461,439	
Adjustments to Expenditures			124,835	
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, 2019**

	<u>Agency Funds</u>
ASSETS	
Current Assets:	
Cash	<u>\$ 962,438</u>
Total Assets	<u><u>\$ 962,438</u></u>
LIABILITIES	
Current Liabilities:	
Deposits Held in Trust for Others	<u>\$ 962,438</u>
Total Liabilities	<u><u>\$ 962,438</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, 2019**

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 forty 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, 2019

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, 2019**

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, 2019

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.

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, 2019.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 classified as nonspendable in the general fund 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 2019 is considered "measurable and available" and, accordingly, is recorded as revenue during the year ended June 30, 2019.

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, 2019

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 classified as nonspendable fund balance, 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, 2019 financial statements of the District, since the District did not own any infrastructure assets as of June 30, 2019. 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 acquisition 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, 2019.

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, 2019

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, \$5,017,897 was recorded as interest on long-term debt.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position reports 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 \$144,990,625 related to the pension plan and \$4,052,072 related to OPEB in this category as of June 30, 2019.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 reports 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 \$14,125,616 and net OPEB liability of \$34,417,355 as of June 30, 2019. The District also reported deferred inflows on the fund financial statements related to unavailable property tax revenue of \$1,993,703 as of June 30, 2019.

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, 2019

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 does not meet the definition of “restricted” or “investment in capital assets”

The government-wide statement of net position reports \$63,145,383 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 its form or because it 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, 2019**

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 School Budget and Finance Analysis Bureau. The District received \$184,995,474 in state equalization guarantee distributions during the year ended June 30, 2019.

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 \$33,749,263 in tax revenues during the year ended June 30, 2019. 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 School Budget and Finance Analysis Bureau. 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 \$4,325,035 in transportation distributions during the year ended June 30, 2019.

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, 2019 totaled \$873,090.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019, 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, 2019**

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 Finance Analysis Bureau 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 the School Budget and Finance Analysis Bureau.

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 and Finance Analysis Bureau (SBAF) 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 SBAF 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 SBAF 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, 2019**

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 SBAF.
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 SBAF.
 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, 2019**

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, 2019.

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, 2019**

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	\$ 2,303	\$ 61,074,709	\$ 2,599,123
FDIC Coverage	(2,303)	(250,000)	(250,000)
Total Uninsured Public Funds	\$ -	\$ 60,824,709	\$ 2,349,123
Collateral Requirement (50% of Uninsured Public Funds)	\$ -	\$ 30,412,355	\$ 1,174,562
Pledged Security	-	(36,233,817)	(3,750,000)
Total Under (Over) Collateralized	\$ -	\$ (5,821,463)	\$ (2,575,439)
	Wells Fargo Bank	Total	
Total Amount of Deposits	\$ 19,300,320	\$ 82,976,455	
FDIC Coverage	(250,000)	(752,303)	
Total Uninsured Public Funds	\$ 19,050,320	\$ 82,224,152	
Collateral Requirement (50% of Uninsured Public Funds)	\$ 9,525,160	\$ 41,112,076	
Pledged Security	(18,195,863)	(58,179,680)	
Total Under (Over) Collateralized	\$ (8,670,703)	\$ (17,067,604)	

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, 2019, \$82,224,152 of the District's bank balances was exposed to custodial credit risk as it was uninsured and uncollateralized. In addition, the collateralized balance of \$58,179,680 was also at risk because the collateralized amounts were 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, 2019 was \$24,234,327.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 & Poor's. 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 35 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	Instructional Materials	Title I IASA	Entitlement IDEA-B Fund	Debt Service	Capital Improvements HB 33	Governmental Funds	Total
Property Taxes	\$ 103,686	\$ -	\$ -	\$ -	\$ 1,213,971	\$ 791,556	\$ 528,763	\$ 2,637,976
Due From Other Governments	1,080,917	\$ 60,226	5,938,643	4,547,142	-	-	6,775,514	18,402,442
Other	136,584	-	-	-	27,070	-	561	164,215
	<u>\$ 1,321,187</u>	<u>\$ 60,226</u>	<u>\$ 5,938,643</u>	<u>\$ 4,547,142</u>	<u>\$ 1,241,041</u>	<u>\$ 791,556</u>	<u>\$ 7,304,838</u>	<u>\$ 21,204,633</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, 2019**

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, 2019 consist of the following:

	Interfund Receivables	Interfund Payables
Governmental Activities:		
Major Funds:		
General Fund	\$ 15,240,271	\$ -
Title I IASA	-	5,931,066
IDEA - B - Entitlement Fund	-	4,531,897
Nonmajor Funds:		
Special Revenue Funds	-	3,962,660
Capital Project Funds	-	814,648
Total Governmental Activities	\$ 15,240,271	\$ 15,240,271

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	June 30, 2018	Additions/ Transfers	Deletions/ Transfers	Adjustments/ Reclassifications	June 30, 2019
Capital Assets Not Being Depreciated:					
Construction in Progress	\$ 1,695,025	\$ 2,950,195	\$ (4,212,605)	\$ (29,933)	\$ 402,682
Art	20,700	-	-		20,700
Land	6,799,006	-	-		6,799,006
Total Capital Assets Not Being Depreciated	8,514,731	2,950,195	(4,212,605)	(29,933)	7,222,388
Capital Assets Used in Governmental Activities:					
Land Improvements	30,817,391	718,212	-	38,768	31,574,371
Buildings and Building Improvements	511,055,956	49,272,605	-	(2,726)	560,325,835
Equipment and Vehicles	26,919,351	1,483,921	(827,246)	39,112	27,615,138
Total Capital Assets Being Depreciated	568,792,698	51,474,738	(827,246)	75,154	619,515,344
Less Accumulated Depreciation of:					
Land and Land Improvements	(13,001,681)	(1,524,092)	-	(54)	(14,525,827)
Buildings and Building Improvements	(154,011,174)	(14,940,326)	-	82,480	(168,869,020)
Equipment and Vehicles	(21,237,096)	(1,328,037)	784,869	285,015	(21,495,249)
Total Accumulated Depreciation	(188,249,951)	(17,792,455)	784,869	367,441	(204,890,096)
Total Capital Assets	<u>\$ 389,057,478</u>	<u>\$ 36,632,478</u>	<u>\$ (4,254,982)</u>	<u>\$ 412,662</u>	<u>\$ 421,847,636</u>

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

Instruction	\$ 119,124
Support Services - Students	1,777
Support Services - Instruction	26,957
Support Services - General Administration	2,755
Support Services - School Administration	469
Central Services	48,726
Operations and Maintenance of Plant	14,248
Food Services	165,377
Capital Outlay	17,264,887
Unallocated	148,135
Total	<u>\$ 17,792,455</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 LONG-TERM DEBT

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance			Balance June 30, 2019	Due Within One Year
	June 30, 2018	Additions	Deletions		
Bonds Payable	\$ 123,185,000	\$ 12,250,000	\$ (10,250,000)	\$ 125,185,000	\$ 12,220,000
Unamortized Bond Premiums	4,628,900	182,420	(467,485)	4,343,835	-
Capital Lease	31,969,313	-	(1,746,473)	30,222,840	1,817,653
Compensated Absences	2,885,765	1,441,423	(1,448,054)	2,879,134	2,879,134
Total Long-Term Debt	<u>\$ 162,668,978</u>	<u>\$ 13,873,843</u>	<u>\$ (13,912,012)</u>	<u>\$ 162,630,809</u>	<u>\$ 16,916,787</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, 2019, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ 12,220,000	\$ 4,256,394	\$ 16,476,394
2021	9,590,000	4,808,794	14,398,794
2022	8,825,000	6,813,613	15,638,613
2023	8,610,000	5,486,093	14,096,093
2024	8,395,000	2,913,819	11,308,819
2025-2029	45,795,000	9,423,234	55,218,234
2030-2034	30,975,000	2,407,628	33,382,628
2035-2039	775,000	12,109	787,109
Total	<u>\$ 125,185,000</u>	<u>\$ 36,121,684</u>	<u>\$ 161,306,684</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 \$12,266,667. 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. The total remaining

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 LONG-TERM DEBT (CONTINUED)

Capital Lease (Continued)

capital lease obligation is \$30,222,840, of which \$1,817,653 is considered current. The following represents future minimum lease payments as of June 30, 2019:

Fiscal Year Ending June 30,	Interest	Principal	Total Debt Service
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	953,127	2,049,493	3,002,620
2024	869,307	2,133,312	3,002,619
2025-2029	2,961,250	12,051,847	15,013,097
2030-2034	652,124	8,110,583	8,762,707
2035-2036	3,684	199,122	202,806
Total	<u>\$ 8,768,867</u>	<u>\$ 30,222,840</u>	<u>\$ 38,991,707</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, 2019, compensated absences decreased \$6,631 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, 2019 was \$268,512.

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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 RISK MANAGEMENT (CONTINUED)

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, 2019, 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, 2019:

Major Funds: None
Nonmajor Funds: None

- Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2019:

Major Funds: None
Nonmajor Funds: None

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:

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Benefits Provided (Continued)

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 of 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 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes, reemployed after July 1, 2010 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, 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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Benefits Provided (Continued)

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. For fiscal year ended June 30, 2019, 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 \$19,041,110 for the year ended June 30, 2019.

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, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018. At June 30, 2019, the District reported a liability of \$556,781,845 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, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 (Continued)

At June 30, 2019, the District's proportion was 4.6823%, which was an increase from its proportion of 4.5749% measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized pension expense of \$94,079,188. As of June 30, 2019, 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	\$ 406,359	\$ (10,596,454)
Changes of Assumptions	114,750,106	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,232,573	-
Changes in Proportion and Differences Between the District Contributions and Proportionate Share of Contributions	9,560,477	(3,529,162)
The District's Contributions Subsequent to the Measurement Date	19,041,110	-
Total	<u>\$ 144,990,625</u>	<u>\$ (14,125,616)</u>

\$19,041,110 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. 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
2020	\$ 65,860,479
2021	45,359,193
2022	588,005
2022	16,222
Thereafter	
Total	<u>\$ 111,823,899</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2018 valuation were based on the new assumptions adopted by the Board on April 21, 2017 in conjunction with the six-year actuarial experience study for the period ending June 30, 2016.

The total pension liability, net pension liability, and certain sensitivity information were based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled forward from the valuation date to the Plan's year ended June 30, 2018 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, 2018. 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, 2017 and June 30, 2018. Specifically, the liabilities measured as of June 30, 2018 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 NMERB 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.

The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Inflation	3.00%
Salary Increases	Composition: 2.50% inflation, plus 0.75% 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	5.69%

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial Assumptions (Continued)

Retirement Age	Experience-based table of rates based on age and service. Adopted by NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.
Mortality	Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB from the table's base year of 2000. 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.

The target long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following:

- Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Rate of Return

Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for fiscal year 2018 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, 2019**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Rate of Return (Continued)

Schedule of Long-Term Rate of Return by Asset Class

Asset Class	2018 Percentage
Cash	(0.49)%
U.S. Treasuries	(0.01)
IG Corp Credit	1.44
Mortgage Backed Securities	(0.01)
Core Bonds*	0.47
Treasury Inflation Protected Securities	0.48
High-Yield Bonds	2.13
Bank Loans	2.16
Global Bonds (Unhedged)	(0.75)
Global Bonds (Hedged)	(0.47)
Emerging Market Debt External	1.64
Emerging Market Debt Local Currency	3.10
Large Cap Equities	4.03
Small/Mid Cap Equities	4.24
International Equities (Unhedged)	4.24
International Equities (Hedged)	4.65
Emerging International Equities	5.61
Private Equity	5.92
Private Debt	4.07
Private Real Assets	4.24
Real Estate	3.10
Commodities	2.08
Hedge Funds	2.97

*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 2018 measurement date. 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 (4.69%) or one percentage point higher (6.69%) than the single discount rate.

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
The District's Proportionate Share of the Net Pension Liability	<u>\$ 723,603,152</u>	<u>\$ 556,781,845</u>	<u>\$ 420,666,069</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Payables to the Pension Plan

The payable to the plan as of June 30, 2019, which is related to required contributions outstanding at the end of the period was: \$6,102,451.

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, 2018 and 2017 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 legislators and

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Funding Policy (Continued)

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, 2019, 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, 2019, 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, 2014, 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 \$2,738,728 for the year ended June 30, 2019

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, 2018. Therefore, the employer's portion was established as of the measurement date June 30, 2018. At June 30, 2019, the District reported a liability of \$133,203,588 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, 2018. The contribution amounts were defined by Section 10-7C-15, NMSA 1978. At June 30, 2019, the District's proportion was 3.06331%.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**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, 2019, the District recognized pension expense of \$101,197. As of June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ (7,886,505)
Changes in Proportion and Differences Between the Changes of Assumptions	1,313,344	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	(24,868,519)
The District's Contributions Subsequent to the Measurement Date	-	(1,662,331)
	2,738,728	-
Total	<u>\$ 4,052,072</u>	<u>\$ (34,417,355)</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. 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
2020	\$ (8,466,456)
2021	(8,466,456)
2022	(8,466,456)
2023	(6,474,872)
Thereafter	(1,229,771)
Total	<u>\$ (33,104,011)</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017, rolled forward to June 30, 2018
Actuarial Cost Method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset Valuation Method	Market value of assets

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Actuarial Assumptions (Continued)

Actuarial Assumptions:

Inflation	2.50% for ERB; 2.25% for PERA
Projected Payroll Increases	3.50% to 12.50% based on years of service, including inflation
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 years for Medicare medical plan costs

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:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. Core Fixed Income	2.1 %
U.S. Equity - Large Cap	7.1
Non U.S. - Emerging Markets	10.2
Non U.S. - Developed Equities	7.8
Private Equity	11.8
Credit and Structured Finance	5.3
Real Estate	4.9
Absolute Return	4.1
U.S. Equity - Small/Mid Cap	7.1

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**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 4.08% as of June 30, 2018. 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, 2029. 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 4.08% 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 (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
The District's Proportionate Share of the OPEB Liability	<u>\$ 161,207,708</u>	<u>\$ 133,203,588</u>	<u>\$ 111,130,100</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:

	1% Decrease	Current Rate	1% Increase
The District's Proportionate Share of the OPEB Liability	<u>\$ 112,603,733</u>	<u>\$ 133,203,588</u>	<u>\$ 149,354,337</u>

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, 2018 and 2017, which are publicly available at www.nmrhca.org.

Payables to the OPEB Plan

The payable to the plan as of June 30, 2019, which is related to required contributions outstanding at the end of the period was: \$753,077.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019. 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 – Community School Initiative Program

Participants	Las Cruces Public Schools No. 2 and City of Las Cruces
Responsible Party	Las Cruces Public Schools No. 2 and City of Las Cruces
Description	To establish a Community Schools Initiative utilizing the combined resources of the Parties together with the resources of other public and private organizations.
Term of Agreement	Indefinite
Amount of Project	Varies
District Contributes	Creation of Partnership and Board.
Audit Responsibility	Las Cruces Public School District No. 2

**STATE OF NEW MEXICO
 LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 14 JOINT POWERS AGREEMENTS (JPA) (CONTINUED)

JPA – Education Services

Participants	Las Cruces Public Schools No. 2 and the New Mexico School for the Deaf
Responsible Party	Las Cruces Public Schools No. 2 and the New Mexico School for the Deaf
Description	To provide special education and related services to students placed with the NMSD by the District in accordance with the agreement.
Term of Agreement	August 12, 2018 to June 30, 2020
Amount of Program	Varies
District Contributes	The District agrees to pay to the New School for the Deaf, an amount not to exceed \$3,500 per student per school year for all eligible students reported by NMSD to the District as of December 1 child count for the 2018-2019 and 2019-2020 school year, respectively.
Audit Responsibility	Las Cruces Public School District No. 2

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

	Measurement Date				
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
The District's Proportion of the Net Pension Liability (Asset)	4.68230%	4.57489%	4.46272%	4.73255%	4.69000%
The District's Proportionate Share of the Net Pension Liability (Asset)	\$ 556,781,845	\$ 508,428,946	\$ 321,156,680	\$ 306,539,866	\$ 267,644,295
The District's Covered Payroll	\$ 130,856,604	\$ 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	425%	390%	252%	228%	207%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.17%	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.

	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 19,041,110	\$ 18,189,068	\$ 18,109,413	\$ 17,716,490	\$ 18,699,722
Contributions in Relation to the Contractually Required Contribution	19,041,110	18,189,068	18,109,413	17,716,490	18,699,722
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 136,986,403	\$ 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%	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 OPEB CONTRIBUTIONS –
NM RETIREE HEALTH CARE AUTHORITY (NMRHCA) PLAN –
LAST 10 FISCAL YEARS*
(REQUIRED SUPPLEMENTARY INFORMATION)**

	<u>Measurement Date June 30, 2018</u>	<u>Measurement Date June 30, 2017</u>
The District's Proportion of the Net OPEB Liability (Asset)	3.06331%	3.03470%
The District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 133,203,588	\$ 137,522,681
The District's Covered Payroll	\$ 130,805,300	\$ 130,277,300
The District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	102%	106%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.14%	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>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 2,738,728	\$ 2,616,106
Contributions in Relation to the Contractually Required Contribution	<u>2,738,728</u>	<u>2,616,106</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 136,936,400	\$ 130,805,300
Contributions as a Percentage of Covered Payroll	2%	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, 2019**

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, 2018.

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, 2019**

	Special Revenue	Capital Projects	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 18,006,204	\$ 7,192,672	\$ 25,198,876
Investments	-	25,362	25,362
Accounts Receivable:			
Taxes	-	528,763	528,763
Due from Other Governments	5,960,866	814,648	6,775,514
Due from Other Funds	-	-	-
Other	511	50	561
Inventory	303,630	-	303,630
	\$ 24,271,211	\$ 8,561,495	\$ 32,832,706
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts Payable	\$ 189,589	\$ 244,473	\$ 434,062
Due to Government	-	84	84
Accrued Expenses	1,161,916	-	1,161,916
Interfund Payables	3,962,660	814,648	4,777,308
Total Liabilities	5,314,165	1,059,205	6,373,370
Deferred Inflows of Resources:			
Unavailable Revenues	-	399,818	399,818
Fund Balances:			
Nonspendable	303,630	-	303,630
Restricted by Grantor	18,653,416	-	18,653,416
Restricted for Capital Projects	-	7,102,472	7,102,472
Total Fund Balance	18,957,046	7,102,472	26,059,518
	\$ 24,271,211	\$ 8,561,495	\$ 32,832,706
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, 2019**

	Special Revenue	Capital Projects	Total
REVENUES			
Property Taxes	\$ -	\$ 6,710,236	\$ 6,710,236
State Grants	4,919,619	814,648	5,734,267
Federal Grants	22,059,795	-	22,059,795
Charges for Services	3,872,307	-	3,872,307
Miscellaneous	11,124	18,837	29,961
Local and Private Sources	1,446,181	598,525	2,044,706
Interest	15,851	100,357	116,208
Total Revenues	<u>32,324,877</u>	<u>8,242,603</u>	<u>40,567,480</u>
EXPENDITURES			
Current:			
Instruction	9,634,306	-	9,634,306
Support Services:			-
Students	4,235,676	-	4,235,676
Instruction	1,533,947	-	1,533,947
General Administration	480,063	66,823	546,886
School Administration	245,819	-	245,819
Central Services	3,946	-	3,946
Operation and Maintenance of Plant	59,514	-	59,514
Student Transportation	635,181	-	635,181
Other Support Services	-	-	-
Food Service Operations	14,260,303	-	14,260,303
Community Service	83,787	-	83,787
Facilities, Materials, and Supplies	8,586	5,873,721	5,882,307
Total Expenditures	<u>31,181,128</u>	<u>5,940,544</u>	<u>37,121,672</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,143,749	2,302,059	3,445,808
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	1,143,749	2,302,059	3,445,808
Fund Balances - Beginning of Year	<u>17,813,297</u>	<u>4,800,413</u>	<u>22,613,710</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 18,957,046</u></u>	<u><u>\$ 7,102,472</u></u>	<u><u>\$ 26,059,518</u></u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2019**

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, 2019**

Results Driven Accountability (24132) – To support school improvement, with the focus on students with disabilities in grades K-3, through the implementation of the evidence-based practices identified in Results Driven Accountability.

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.

Carl D. Perkins Work Based Learning Initiative (WBLI) (24171) – A school-to-career program where students receive career exploration guidance, learn work-ready skills, and take assessments in school that are aligned to the needs of employers in careers of their choice. Students are guided into work-based learning experiences where they learn on-the-job skills that lead them to post-secondary institutions and eventually into a professional career.

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.

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.

Student Support and Academic Enrichment Grants (24189) – To support well-rounded educational opportunities, safe and healthy students and effective use of technology.

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).

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).

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2019**

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 of 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 SCIADs 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, 2019**

Project Lead the Way (26219) – To offset costs associated with the PLTW Gateway program for computer science at Zia Middle School.

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).

Excellence in Teaching (27125) – For salary supplements for teachers that have met the award criteria for most outstanding teachers.

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.

New Mexico PreK Program (27149) – To be used as supplements for teachers that have met the award criteria for most outstanding teachers.

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.

K-3 Plus 4 & 5 Pilot Program (27198) – To provide additional funding for additional educational time for students in 4th and 5th grade, as approved by PED.

American Friends Service Committee (AFSC) (28127) – To be used solely for the purpose of procuring local vegetables and fruits from local farmers, prioritizing purchases from farmers who have participated or are currently participating in farmer training programs.

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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2019**

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, 2019**

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, 2019**

	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	\$ 6,869,154	\$ 511,036	\$ 1,154,558	\$ 5,776	\$ 766	\$ 9,736
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	1,083,747	-	-	86,509	5,813	93,980
Interfund Receivables	-	-	-	-	-	-
Other Receivables	511	-	-	-	-	-
Inventory	303,630	-	-	-	-	-
Total Assets	\$ 8,257,042	\$ 511,036	\$ 1,154,558	\$ 92,285	\$ 6,579	\$ 103,716
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ 106,206	\$ 125	\$ 17,468	\$ -	\$ -	\$ -
Due to Government	-	-	-	-	-	-
Accrued Expenses	378,711	3,878	5,138	5,776	766	7,013
Interfund Payables	-	-	-	86,509	5,813	96,703
Total Liabilities	484,917	4,003	22,606	92,285	6,579	103,716
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	303,630	-	-	-	-	-
Restricted by Grantor	7,468,495	507,033	1,131,952	-	-	-
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	7,772,125	507,033	1,131,952	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,257,042	\$ 511,036	\$ 1,154,558	\$ 92,285	\$ 6,579	\$ 103,716

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2019**

SPECIAL REVENUE FUNDS							
24112	24113	24115	24118	24132	24153	24154	24171
IDEA-B Early Intervention	Education of Homeless	IDEA-B Private Schools	Fresh Fruits & Vegetables USDA	Results Driven Accountability	English Language Acquisition	Teacher/Principal Training & Recruiting	Carl D. Perkins Work Based Learning Initiative (WBLI)
\$ 4,482	\$ 1,557	\$ -	\$ -	\$ -	\$ 14,995	\$ 95,069	\$ 2,630
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
181,630	41,711	2,939	13,038	34,586	195,838	811,969	34,666
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 186,112</u>	<u>\$ 43,268</u>	<u>\$ 2,939</u>	<u>\$ 13,038</u>	<u>\$ 34,586</u>	<u>\$ 210,833</u>	<u>\$ 907,038</u>	<u>\$ 37,296</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 299	\$ 19,583	\$ 23,075
-	-	-	-	-	-	-	-
7,205	1,557	-	-	-	14,995	95,080	2,810
178,907	41,711	2,939	13,038	34,586	195,539	792,375	11,411
186,112	43,268	2,939	13,038	34,586	210,833	907,038	37,296
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 186,112</u>	<u>\$ 43,268</u>	<u>\$ 2,939</u>	<u>\$ 13,038</u>	<u>\$ 34,586</u>	<u>\$ 210,833</u>	<u>\$ 907,038</u>	<u>\$ 37,296</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2019**

	SPECIAL REVENUE FUNDS					
	24174	24175	24176	24187	24189	25127
	Carl D. Perkins Secondary Current	Carl D. Perkins Secondary PY Obligation	Carl D. Perkins Secondary Redistribution	Migrant Regional Recruiting	Student Support and Academic Enrichment Grants	Headstart
ASSETS						
Cash and Cash Equivalents	\$ 1,158	\$ -	\$ 627	\$ 2,475	\$ 20,708	\$ -
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	137,593	-	7,438	16,434	237,039	883,760
Interfund Receivables	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total Assets	\$ 138,751	\$ -	\$ 8,065	\$ 18,909	\$ 257,747	\$ 883,760
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ 3,942	\$ -	\$ 1,273	\$ -	\$ -	\$ 8,381
Due to Government	-	-	-	-	-	-
Accrued Expenses	1,218	-	671	2,412	20,708	185,310
Interfund Payables	133,591	-	6,121	16,497	237,039	690,069
Total Liabilities	138,751	-	8,065	18,909	257,747	883,760
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted by Grantor	-	-	-	-	-	-
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 138,751	\$ -	\$ 8,065	\$ 18,909	\$ 257,747	\$ 883,760

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2019**

SPECIAL REVENUE FUNDS							
25129	25145	25146	25150	25153	26136	26141	26153
Title XX - Health & Social Services	Impact Aid Special Education	Safe Routes to School NMDOT	Food Stamps Nutrition	Title XIX MEDICAID 3/21 Years	SCIAD	Daniels Funds	Paseo Del Norte Health Foundation
\$ 27,878	\$ 10,207	\$ -	\$ -	\$ 7,497,832	\$ 61	\$ 943	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,320	15,763	23,646	309,740	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 27,878</u>	<u>\$ 11,527</u>	<u>\$ 15,763</u>	<u>\$ 23,646</u>	<u>\$ 7,807,572</u>	<u>\$ 61</u>	<u>\$ 943</u>	<u>\$ -</u>
\$ -	\$ 1,320	\$ -	\$ -	\$ 5,021	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
3,733	-	-	-	162,331	-	386	-
-	-	15,763	23,646	-	-	-	-
<u>3,733</u>	<u>1,320</u>	<u>15,763</u>	<u>23,646</u>	<u>167,352</u>	<u>-</u>	<u>386</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
24,145	10,207	-	-	7,640,220	61	557	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>24,145</u>	<u>10,207</u>	<u>-</u>	<u>-</u>	<u>7,640,220</u>	<u>61</u>	<u>557</u>	<u>-</u>
<u>\$ 27,878</u>	<u>\$ 11,527</u>	<u>\$ 15,763</u>	<u>\$ 23,646</u>	<u>\$ 7,807,572</u>	<u>\$ 61</u>	<u>\$ 943</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2019**

	SPECIAL REVENUE FUNDS					
	26204	26219	27103	27107	27125	27141
	Spaceport GRT Grant Dona Ana County	Project Lead the Way	Dual Credit Instructional Materials	2012 GO Bond Public School Library	Excellence in Teaching	Truancy Initiative
ASSETS						
Cash and Cash Equivalents	\$ 1,476,963	\$ 10,000	\$ -	\$ -	\$ -	\$ 26,642
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	350,226	-	18,478	731	-	126,245
Interfund Receivables	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total Assets	\$ 1,827,189	\$ 10,000	\$ 18,478	\$ 731	\$ -	\$ 152,887
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ 186	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Government	-	-	-	-	-	-
Accrued Expenses	55,020	-	-	-	-	26,642
Interfund Payables	-	-	18,478	731	-	126,245
Total Liabilities	55,206	-	18,478	731	-	152,887
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted by Grantor	1,771,983	10,000	-	-	-	-
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	1,771,983	10,000	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,827,189	\$ 10,000	\$ 18,478	\$ 731	\$ -	\$ 152,887

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2019**

	SPECIAL REVENUE FUNDS					Total Special Revenue Funds
	28190	28199	28203	29102	29130	
	GRADS Instruction	Safe Routes to School DOH	GRADS PLUS	Private Dir. Grants (Categorical)	School Based Health Centers	
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 62,275	\$ -	\$ 14,762	\$ 4,823	\$ 18,006,204
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	1,478	3,377	13,844	2,710	-	5,960,866
Interfund Receivables	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	511
Inventory	-	-	-	-	-	303,630
Total Assets	\$ 1,478	\$ 65,652	\$ 13,844	\$ 17,472	\$ 4,823	\$ 24,271,211
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,710	\$ -	\$ 189,589
Due to Government	-	-	-	-	-	-
Accrued Expenses	-	218	1,459	-	-	1,161,916
Interfund Payables	1,478	-	12,385	-	-	3,962,660
Total Liabilities	1,478	218	13,844	2,710	-	5,314,165
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	303,630
Restricted by Grantor	-	65,434	-	14,762	4,823	18,653,416
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	-	65,434	-	14,762	4,823	18,957,046
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,478	\$ 65,652	\$ 13,844	\$ 17,472	\$ 4,823	\$ 24,271,211

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2019**

CAPITAL PROJECT FUNDS				
31300	31700	31701	Total Capital Project Funds	Total All Non-Major Funds
Special Capital Outlay	Capital Improvements SB9 State Match	Capital Improvements SB9 Local Fund		
\$ 1,535,027	\$ -	\$ 5,657,645	\$ 7,192,672	\$ 25,198,876
-	-	25,362	25,362	25,362
-	-	528,763	528,763	528,763
-	814,648	-	814,648	6,775,514
-	-	-	-	-
-	-	50	50	561
-	-	-	-	303,630
<u>\$ 1,535,027</u>	<u>\$ 814,648</u>	<u>\$ 6,211,820</u>	<u>\$ 8,561,495</u>	<u>\$ 32,832,706</u>
\$ -	\$ -	\$ 244,473	\$ 244,473	\$ 434,062
-	-	84	84	84
-	-	-	-	1,161,916
-	814,648	-	814,648	4,777,308
-	814,648	244,557	1,059,205	6,373,370
-	-	399,818	399,818	399,818
-	-	-	-	303,630
-	-	-	-	18,653,416
1,535,027	-	5,567,445	7,102,472	7,102,472
-	-	-	-	-
-	-	-	-	-
<u>1,535,027</u>	<u>-</u>	<u>5,567,445</u>	<u>7,102,472</u>	<u>26,059,518</u>
<u>\$ 1,535,027</u>	<u>\$ 814,648</u>	<u>\$ 6,211,820</u>	<u>\$ 8,561,495</u>	<u>\$ 32,832,706</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, 2019**

	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	12,108,557	-	-	144,529	5,813	184,855
Charges for Services	1,894,091	510,018	1,468,198	-	-	-
Miscellaneous	-	-	11,124	-	-	-
Local and Private Sources	-	-	-	-	-	-
Interest	6,412	861	1,584	-	-	-
Total Revenues	<u>14,009,060</u>	<u>510,879</u>	<u>1,480,906</u>	<u>144,529</u>	<u>5,813</u>	<u>184,855</u>
EXPENDITURES						
Current:						
Instruction	-	662,636	1,360,081	92,330	5,667	174,308
Support Services:						
Students	-	-	-	50	-	5,898
Instruction	-	-	-	30,035	-	-
General Administration	290,000	-	-	3,632	146	4,649
School Administration	-	-	-	-	-	-
Central Services	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	-
Student Transportation	-	-	-	18,482	-	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	13,700,039	-	-	-	-	-
Community Service	-	-	-	-	-	-
Facilities, Materials, and Supplies	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	<u>13,990,039</u>	<u>662,636</u>	<u>1,360,081</u>	<u>144,529</u>	<u>5,813</u>	<u>184,855</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	19,021	(151,757)	120,825	-	-	-
OTHER FINANCING SOURCES (USES)						
Proceeds from Bond Issues	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	19,021	(151,757)	120,825	-	-	-
Fund Balances - Beginning of Year	<u>7,753,104</u>	<u>658,790</u>	<u>1,011,127</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,772,125</u>	<u>\$ 507,033</u>	<u>\$ 1,131,952</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, 2019**

SPECIAL REVENUE FUNDS							
24112	24113	24115	24118	24132	24153	24154	24171
IDEA-B Early Intervention	Education of Homeless	IDEA-B Private Schools	Fresh Fruits & Vegetables USDA	Results Driven Accountability	English Language Acquisition	Teacher/Principal Training & Recruiting	Carl D. Perkins Work Based Learning Initiative (WBLI)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
181,630	57,290	2,939	329,543	47,466	402,933	1,275,549	34,666
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
181,630	57,290	2,939	329,543	47,466	402,933	1,275,549	34,666
99,360	31,941	2,866	-	46,174	326,173	267,430	34,374
448	23,908	-	-	-	5,956	5,239	-
77,254	-	-	-	98	-	965,673	-
4,568	1,441	73	-	1,194	10,127	31,640	292
-	-	-	-	-	-	5,567	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	329,543	-	-	-	-
-	-	-	-	-	60,677	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
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**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, 2019**

	SPECIAL REVENUE FUNDS					
	24174	24175	24176	24187	24189	25127
	Carl D. Perkins Secondary Current	Carl D. Perkins Secondary PY Obligation	Carl D. Perkins Secondary Redistribution	Migrant Regional Recruiting	Student Support and Academic Enrichment Grants	Headstart
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-	-	-
Federal Grants	263,578	29,224	13,250	130,643	526,515	2,863,055
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Local and Private Sources	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Revenues	<u>263,578</u>	<u>29,224</u>	<u>13,250</u>	<u>130,643</u>	<u>526,515</u>	<u>2,863,055</u>
EXPENDITURES						
Current:						
Instruction	240,543	29,224	13,095	3,116	258,725	1,709,355
Support Services:						
Students	4,111	-	-	125,068	196,267	785,909
Instruction	170	-	-	-	30,223	264,957
General Administration	7,818	-	155	-	14,665	72,283
School Administration	10,291	-	-	-	6,742	-
Central Services	645	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	2,459	88	25,646
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-
Community Service	-	-	-	-	19,805	3,305
Facilities, Materials, and Supplies	-	-	-	-	-	1,600
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	<u>263,578</u>	<u>29,224</u>	<u>13,250</u>	<u>130,643</u>	<u>526,515</u>	<u>2,863,055</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, 2019**

SPECIAL REVENUE FUNDS							
25129	25145	25146	25150	25153	26136	26141	26153
Title XX - Health & Social Services	Impact Aid Special Education	Safe Routes to School NMDOT	Food Stamps Nutrition	Title XIX MEDICAID 3/1 Years	SCIAD	Daniels Funds	Paseo Del Norte Health Foundation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
67,072	1,320	37,562	157,318	3,194,488	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,000	-
-	-	-	-	5,987	-	-	-
<u>67,072</u>	<u>1,320</u>	<u>37,562</u>	<u>157,318</u>	<u>3,200,475</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
42,927	6,654	-	-	-	-	-	54,667
-	-	37,562	-	2,451,601	-	2,724	-
-	-	-	-	-	-	-	-
-	138	-	3,918	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,301	-	-	-
-	-	-	-	1,504	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	153,400	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>42,927</u>	<u>6,792</u>	<u>37,562</u>	<u>157,318</u>	<u>2,456,406</u>	<u>-</u>	<u>2,724</u>	<u>54,667</u>
24,145	(5,472)	-	-	744,069	-	(724)	(54,667)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>24,145</u>	<u>(5,472)</u>	<u>-</u>	<u>-</u>	<u>744,069</u>	<u>-</u>	<u>(724)</u>	<u>(54,667)</u>
-	15,679	-	-	6,896,151	61	1,281	54,667
<u>\$ 24,145</u>	<u>\$ 10,207</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,640,220</u>	<u>\$ 61</u>	<u>\$ 557</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, 2019**

	SPECIAL REVENUE FUNDS					
	26204	26219	27103	27107	27125	27141
	Spaceport GRT Grant Dona Ana County	Project Lead the Way	Dual Credit Instructional Materials	2012 GO Bond Public School Library	Excellence in Teaching	Truancy Initiative
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	89,735	1,768	322,950	357,214
Federal Grants	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Local and Private Sources	1,431,471	10,000	-	-	-	-
Interest	1,007	-	-	-	-	-
Total Revenues	<u>1,432,478</u>	<u>10,000</u>	<u>89,735</u>	<u>1,768</u>	<u>322,950</u>	<u>357,214</u>
EXPENDITURES						
Current:						
Instruction	849,428	-	89,735	-	317,568	-
Support Services:						
Students	-	-	-	-	-	356,720
Instruction	143,642	-	-	1,768	5,382	-
General Administration	25,692	-	-	-	-	-
School Administration	-	-	-	-	-	-
Central Services	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	494
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-
Community Service	-	-	-	-	-	-
Facilities, Materials, and Supplies	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	<u>1,018,762</u>	<u>-</u>	<u>89,735</u>	<u>1,768</u>	<u>322,950</u>	<u>357,214</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	413,716	10,000	-	-	-	-
OTHER FINANCING SOURCES (USES)						
Proceeds from Bond Issues	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	413,716	10,000	-	-	-	-
Fund Balances - Beginning of Year	<u>1,358,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,771,983</u>	<u>\$ 10,000</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, 2019**

SPECIAL REVENUE FUNDS							
27149	27155	27166	27183	27198	28127	28160	28189
New Mexico PreK Program	Breakfast for Elementary Students	Kindergarten Three Plus	NM Grown FVV	K-3 Plus 4 & 5 Pilot Program	American Friends Service Committee (AFSC)	Regn. Alliance Science/Eng/Math NMSU	GRADS Child Care CYFD
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
706,702	52,930	3,118,842	17,435	157,769	6,956	-	545
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
706,702	52,930	3,118,842	17,435	157,769	6,956	-	545
623,575	-	2,159,534	-	94,844	-	2,148	2,169
64,066	-	144,714	-	1,735	-	-	-
-	-	11,691	-	-	-	-	-
6,927	-	-	-	-	-	-	-
-	-	207,360	-	15,859	-	-	-
-	-	-	-	-	-	-	-
5,148	-	24,175	-	-	-	-	-
-	-	571,368	-	45,331	-	-	-
-	-	-	-	-	-	-	-
-	52,930	-	17,435	-	6,956	-	-
-	-	-	-	-	-	-	-
6,986	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
706,702	52,930	3,118,842	17,435	157,769	6,956	2,148	2,169
-	-	-	-	-	-	(2,148)	(1,624)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(2,148)	(1,624)
-	-	-	-	-	-	5,862	1,654
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,714	\$ 30

**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, 2019**

	SPECIAL REVENUE FUNDS					Total Special Revenue Funds
	28190	28199	28203	29102	29130	
	GRADS Instruction	Safe Routes to School DOH	GRADS PLUS	Private Dir. Grants (Categorical)	School Based Health Centers	
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	3,074	60,000	23,699	-	-	4,919,619
Federal Grants	-	-	-	-	-	22,059,795
Charges for Services	-	-	-	-	-	3,872,307
Miscellaneous	-	-	-	-	-	11,124
Local and Private Sources	-	-	-	2,710	-	1,446,181
Interest	-	-	-	-	-	15,851
Total Revenues	<u>3,074</u>	<u>60,000</u>	<u>23,699</u>	<u>2,710</u>	<u>-</u>	<u>32,324,877</u>
EXPENDITURES						
Current:						
Instruction	3,074	-	23,699	6,886	-	9,634,306
Support Services:						
Students	-	19,435	-	-	4,265	4,235,676
Instruction	-	-	-	3,054	-	1,533,947
General Administration	-	-	-	705	-	480,063
School Administration	-	-	-	-	-	245,819
Central Services	-	-	-	-	-	3,946
Operation and Maintenance of Plant	-	-	-	-	-	59,514
Student Transportation	-	-	-	-	-	635,181
Other Support Services	-	-	-	-	-	-
Food Service Operations	-	-	-	-	-	14,260,303
Community Service	-	-	-	-	-	83,787
Facilities, Materials, and Supplies	-	-	-	-	-	8,586
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	<u>3,074</u>	<u>19,435</u>	<u>23,699</u>	<u>10,645</u>	<u>4,265</u>	<u>31,181,128</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	40,565	-	(7,935)	(4,265)	1,143,749
OTHER FINANCING SOURCES (USES)						
Proceeds from Bond Issues	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	40,565	-	(7,935)	(4,265)	1,143,749
Fund Balances - Beginning of Year	<u>-</u>	<u>24,869</u>	<u>-</u>	<u>22,697</u>	<u>9,088</u>	<u>17,813,297</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 65,434</u>	<u>\$ -</u>	<u>\$ 14,762</u>	<u>\$ 4,823</u>	<u>\$ 18,957,046</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, 2019**

CAPITAL PROJECT FUNDS				
31300	31700	31701	Total Capital Project Funds	Total All Non-Major Funds
Special Capital Outlay	Capital Improvements SB9 State Match	Capital Improvements SB9 Local Fund		
\$ -	\$ -	\$ 6,710,236	\$ 6,710,236	\$ 6,710,236
-	814,648	-	814,648	5,734,267
-	-	-	-	22,059,795
-	-	-	-	3,872,307
17,671	-	1,166	18,837	29,961
598,525	-	-	598,525	2,044,706
25,754	-	74,603	100,357	116,208
<u>641,950</u>	<u>814,648</u>	<u>6,786,005</u>	<u>8,242,603</u>	<u>40,567,480</u>
-	-	-	-	9,634,306
-	-	-	-	4,235,676
-	-	-	-	1,533,947
-	-	66,823	66,823	546,886
-	-	-	-	245,819
-	-	-	-	3,946
-	-	-	-	59,514
-	-	-	-	635,181
-	-	-	-	-
-	-	-	-	14,260,303
-	-	-	-	83,787
74,862	814,648	4,984,211	5,873,721	5,882,307
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>74,862</u>	<u>814,648</u>	<u>5,051,034</u>	<u>5,940,544</u>	<u>37,121,672</u>
567,088	-	1,734,971	-	1,143,749
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>567,088</u>	<u>-</u>	<u>1,734,971</u>	<u>2,302,059</u>	<u>3,445,808</u>
967,939	-	3,832,474	4,800,413	22,613,710
<u>\$ 1,535,027</u>	<u>\$ -</u>	<u>\$ 5,567,445</u>	<u>\$ 7,102,472</u>	<u>\$ 26,059,518</u>

**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, 2019**

	Balance June 30, 2018	Additions	Deletions	Adjustments/ Transfers	Balance June 30, 2019
Alameda Elementary	\$ 14,031	\$ 21,149	\$ 21,247	\$ -	\$ 13,933
BT Washington Elementary	51	(1)	50	-	-
Cesar Chavez	1,759	-	-	-	1,759
Columbia Elementary	209	-	-	-	209
Conlee Elementary	5,541	3,722	5,633	-	3,630
Dona Ana Elementary	538	402	405	-	535
Desert Hills Elementary	16,621	500	-	-	17,121
East Picacho Elementary	44,881	22,293	32,464	-	34,710
Fairacres Elementary	11,257	4,392	12,548	-	3,101
Hermosa Height Elementary	3,523	1,037	2,156	-	2,404
Highland Elementary	5,407	3,591	2,571	-	6,427
Hillrise Elementary	496	-	-	-	496
Jornada Elementary	2,283	2,555	1,971	-	2,867
Loma Heights Elementary	507	-	-	-	507
MacArthur Elementary	84	-	-	-	84
Mesilla Elementary	2,279	-	89	-	2,190
Mesilla Park Elementary	(112)	1,234	764	-	358
Monte Vista Elementary	159	-	-	-	159
Sunrise Elementary	227	-	-	-	227
Tombaugh Elementary	1,765	1,988	1,528	-	2,225
University Hills Elementary	116	165	216	-	65
Valley View Elementary	-	-	-	-	-
White Sands Elem/Mid	4,991	5,803	5,251	-	5,543
Camino Real Mid School	26,722	63,976	61,001	-	29,697
Lynn Mid School	55,671	142,618	150,767	-	47,522
Mesa Mid School	1,595	5,168	5,310	-	1,453
Picacho Mid School	17,710	25,788	29,658	-	13,840
Sierra Mid School	23,216	41,034	33,330	-	30,920
Vista Mid School	1,613	39,526	30,767	-	10,372
Zia Mid School	2,809	-	600	-	2,209
Centennial High School	60,756	80,001	81,087	-	59,670
Las Cruces High School	89,207	166,201	163,295	-	92,113
Mayfield High School	122,023	127,446	124,412	-	125,057
Oate High School	49,414	152,013	150,633	-	50,794
Rio Grande Preparatory High School	12,883	858	4,257	-	9,484
Early College High School	37,920	102,611	91,119	-	49,412
District	51,885	356,721	111,074	-	297,532
Expendable Trust	41,307	1,211	4,308	-	38,210
Non-Expendable Trust	500	-	-	-	500
Certificates of Deposit	5,102	1	-	-	5,103
Total All Schools	\$ 716,946	\$ 1,374,003	\$ 1,128,511	\$ -	\$ 962,438
Liabilities - Funds Held for the Benefit of Others*					\$ 962,438

* 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, 2019**

<u>Name of Depository</u>	<u>Pledged Collateral</u>	<u>Maturity</u>	<u>Number</u>	<u>Fair Market Value</u>	
<u>Citizens Bank of Las Cruces</u>					
	FHLB	1/6/2021	N/A	\$ 1,989,000	
	FHLB	9/10/2021	N/A	1,539,136	
	FHLB	12/10/2021	N/A	2,799,319	
	FHLB	2/28/2022	N/A	1,050,446	
	FHLB	3/11/2022	N/A	2,530,377	
	FHLB	1/27/2023	N/A	2,537,148	
	FHLB	6/9/2023	N/A	1,946,770	
	FFCB	6/9/2023	N/A	2,110,368	
	FHLB	12/6/2023	N/A	2,033,154	
	FHLB	12/26/2023	N/A	3,085,947	
	FHLB	3/8/2024	N/A	2,126,980	
	FHLB	12/13/2024	N/A	2,084,486	
	FHLB	2/10/2025	N/A	2,060,362	
	FHLB	10/10/2025	N/A	2,062,118	
	FHLB	11/7/2025	N/A	2,076,678	
	FHLB	3/13/2026	N/A	2,093,730	
	FHLB	9/11/2026	N/A	<u>2,107,798</u>	
Location of Safekeeper: P.O. Box 2018, Las Cruces, NM 88004				Total Citizens Bank of Las Cruces	<u>36,233,817</u>
<u>US Bank</u>					
	FHLB	7/2/2018	528745	<u>3,750,000</u>	
Location of Safekeeper: 221 E. 4th Street, Cincinnati, OH 45202				Total US Bank	<u>3,750,000</u>
<u>Wells Fargo Bank</u>					
	FMAC	6/1/2025	3128MCPV1	81,753	
	FMAC	4/1/1942	3132GS5A3	8,411,730	
	FNMA	3/1/1941	31374CNU6	9,671,373	
	FNMA	10/1/1935	3138WFWD4	<u>31,007</u>	
Location of Safekeeper: 101 Barclay Street, 4th Floor East New York, NY 10286				Total Wells Fargo Bank	<u>18,195,863</u>
				Total	<u>\$ 58,179,680</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, 2019**

Bank Account Type	Bank of America	Wells Fargo Bank	Citizens	US Bank	Total
Checking - Accounts Payable Clearing	\$ -	\$ 4,482,455	\$ -	\$ -	\$ 4,482,455
Checking - Payroll Clearing	-	14,817,865	-	-	14,817,865
Certificate of Deposit	2,303	-	2,800	-	5,103
Checking - Food Service	-	-	6,523,864	-	6,523,864
Checking - Operational Account	-	-	9,808,491	-	9,808,491
Checking - Bond Building Account	-	-	44,742,354	-	44,742,354
Certificate of Deposit	-	-	-	-	-
Certificate of Deposit	-	-	-	-	-
Checking - Debt Service	-	-	-	14,120	14,120
Checking - Activity	-	-	-	1,368,003	1,368,003
Checking - Activity Investment	-	-	-	1,217,000	1,217,000
Checking - Federal Programs Direct Account	-	-	-	-	-
Total on Deposit	<u>2,303</u>	<u>19,300,320</u>	<u>61,077,509</u>	<u>2,599,123</u>	<u>82,979,255</u>
Reconciling Items	<u>-</u>	<u>(19,299,932)</u>	<u>13,549,546</u>	<u>37,842</u>	<u>(5,712,544)</u>
Reconciled Balance - June 30, 2019	<u>\$ 2,303</u>	<u>\$ 388</u>	<u>\$ 74,627,055</u>	<u>\$ 2,636,965</u>	77,266,711
Investments with State of New Mexico Treasurer's Office					24,234,327
Plus: Petty Cash					71
Plus: Cash with Fiscal Agent					61,243
Subtotal					<u>101,562,352</u>
Less: Fiduciary Funds Cash					<u>(962,438)</u>
Cash and Investments per Government-Wide Financial Statements					<u>\$100,599,914</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, 2019**

	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	State Flowthrough Fund 27000
June 30, 2018 Cash Available to Budget	\$ 17,636,264	\$ 1	\$ 218,543	\$ 7,354,357	\$ 658,790	\$ 1,046,501	\$ (5,253,884)	\$ 5,967,816	\$ 1,445,666	\$ (447,916)
2018-2019 Revenue	189,090,560	4,325,035	836,404	12,093,570	510,879	1,482,081	12,857,447	6,092,623	1,094,252	3,907,334
2018-2019 Expenditures	(186,006,217)	(4,325,035)	(314,481)	(12,957,313)	(662,511)	(1,379,162)	(19,919,498)	(5,605,373)	(1,103,882)	(4,825,641)
Permanent Cash Transfers/Reversions	-	-	-	-	-	-	-	-	(3,475)	-
Adjustments	-	-	-	-	-	-	-	-	-	-
June 30, 2019 Cash Available to Budget	20,720,607	1	740,466	6,490,614	507,158	1,149,420	(12,315,935)	6,455,066	1,432,561	(1,366,223)
June 30, 2019 Payroll Liabilities	11,837,182	-	-	378,711	3,878	5,138	913,719	351,374	55,406	205,521
June 30, 2019 Temporary Interfund Loans	(15,240,271)	-	-	-	-	-	12,315,742	729,478	-	1,366,177
June 30, 2019 Adjustments/Reconciling Differences	1,430	(1)	-	(171)	-	-	(3)	(1)	-	-
June 30, 2019 Cash (Book Balance)	<u>\$ 17,318,948</u>	<u>\$ -</u>	<u>\$ 740,466</u>	<u>\$ 6,869,154</u>	<u>\$ 511,036</u>	<u>\$ 1,154,558</u>	<u>\$ 913,523</u>	<u>\$ 7,535,917</u>	<u>\$ 1,487,967</u>	<u>\$ 205,475</u>
Reconciliation to PED Cash Report Line 7										
June 30, 2019 Cash (Book Balance)	\$ 17,318,948	\$ -	\$ 740,466	\$ 6,869,154	\$ 511,036	\$ 1,154,558	\$ 913,523	\$ 7,535,917	\$ 1,487,967	\$ 205,475
June 30, 2019 Payroll Liabilities	(11,837,182)	-	-	(378,711)	(3,878)	(5,138)	(913,719)	(351,374)	(55,406)	(205,521)
June 30, 2019 Temporary Interfund Loans	15,240,271	-	-	-	-	-	(12,315,742)	(729,478)	-	(1,366,177)
Audit adjustments and reclassifications	(1,430)	-	-	171	-	-	-	-	-	-
Line 7 PED Cash Report June 30, 2019 *	<u>\$ 20,720,607</u>	<u>\$ -</u>	<u>\$ 740,466</u>	<u>\$ 6,490,614</u>	<u>\$ 507,158</u>	<u>\$ 1,149,420</u>	<u>\$ (12,315,938)</u>	<u>\$ 6,455,065</u>	<u>\$ 1,432,561</u>	<u>\$ (1,366,223)</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, 2019**

	State Direct Account 28000	Local/State Account 29000	Bond Building Fund 31100	Special Capital Outlay 31300	Special Capital Outlay 31400	Capital Improve. HB 33 31600	Debt Service 41000	Capital Improve. State SB9 31700	Capital Improve. Local SB9 31701	Total Primary Government
June 30, 2018 Cash Available to Budget	\$ 28,001	\$ 31,786	\$ 10,925,867	\$ 967,939	\$ -	\$ 12,379,155	\$ 17,042,975	\$ (461,996)	\$ 4,027,123	\$ 73,566,988
2018-2019 Revenue	76,110	-	12,777,641	641,950	-	10,278,926	15,921,044	461,996	6,758,092	279,205,944
2018-2019 Expenditures	(57,481)	(12,200)	(2,515,961)	(74,862)	-	(5,505,995)	(14,740,933)	(814,648)	(5,102,292)	(265,923,485)
Permanent Cash Transfers/Reversions	-	-	-	-	-	-	-	-	-	(3,475)
Adjustments	-	-	-	-	-	-	(1)	-	-	(1)
June 30, 2019 Cash Available to Budget	46,630	19,586	21,187,547	1,535,027	-	17,152,086	18,223,085	(814,648)	5,682,923	86,845,971
June 30, 2019 Payroll Liabilities	1,677	-	-	-	-	-	-	-	-	13,752,606
June 30, 2019 Temporary Interfund Loans	14,226	-	-	-	-	-	-	814,648	-	-
June 30, 2019 Adjustments/Reconciling Differences	-	(1)	-	-	-	-	-	-	84	1,337
June 30, 2019 Cash (Book Balance)	\$ 62,533	\$ 19,585	\$ 21,187,547	\$ 1,535,027	\$ -	\$ 17,152,086	\$ 18,223,085	\$ -	\$ 5,683,007	\$ 100,599,914
Reconciliation to PED Cash Report Line 7										
June 30, 2019 Cash (Book Balance)	\$ 62,533	\$ 19,585	\$ 21,187,547	\$ 1,535,027	\$ -	\$ 17,152,086	\$ 18,223,085	\$ -	\$ 5,683,007	\$ 100,599,914
June 30, 2019 Payroll Liabilities	(1,677)	-	-	-	-	-	-	-	-	(13,752,606)
June 30, 2019 Temporary Interfund Loans	(14,226)	-	-	-	-	-	-	(814,648)	-	-
Audit adjustments and reclassifications	-	-	-	-	-	-	-	-	(84)	(1,343)
Line 7 PED Cash Report June 30, 2019 *	\$ 46,630	\$ 19,585	\$ 21,187,547	\$ 1,535,027	\$ 1	\$ 17,152,086	\$ 18,223,085	\$ (814,648)	\$ 5,682,923	\$ 86,845,966

* 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, 2019**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
Direct U.S. Department of Health and Human Services				
Head Start	93.600	25127	\$ -	\$ 2,863,055
Pass-Through State of New Mexico Human Services Department:				
Social Services Block Grant	93.667	25129	-	42,927
			-	2,905,982
Total U.S. Department of Health and Human Services				
U.S. Department of Education				
Pass-Through State of New Mexico Department of Education:				
Special Education - Grants to States	84.027	24106	-	6,166,226
Special Education - Grants to States	84.027	24112	-	181,630
Special Education - Grants to States	84.027	24108	-	5,813
Special Education - Grants to States	84.027	24132	-	47,466
IDEA Private School Share	84.027	24115	-	2,939
Special Education - Preschool Grants	84.173	24109	-	184,855
Total Special Education Cluster (IDEA)			-	6,588,929
Special Education - Impact Aid	84.041	25145	-	6,792
Title I Grants to Local Educational Agencies	84.010	24101	-	10,015,785
Migrant Education - State Grant Program	84.011	24103	-	144,529
Migrant Education - State Grant Program	84.011	24187	-	130,643
Total Migrant Education - State Grant Program			-	275,172
Career and Technical Education - Basic Grants to States	84.048	24174	-	263,578
Career and Technical Education - Basic Grants to States	84.048	24175	-	29,224
Career and Technical Education - Basic Grants to States	84.048	24176	-	13,250
Career and Technical Education - Basic Grants to States	84.048	24171	-	34,666
Total Career and Technical Education - Basic Grants to States			-	340,718
Education for Homeless Children and Youth	84.196	24113	-	57,290
English Language Acquisition State Grants	84.365	24153	-	402,933
Improving Teacher Quality State Grants	84.367	24154	-	1,275,549
Title IV Student Support and Academic Enrichment	84.424	24189	-	526,515
			-	19,489,683
Total U.S. Department of Education				
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	-	37,562
			-	37,562
Total U.S. Department of Transportation				

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Pass-Through State of New Mexico Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	21000	\$ -	\$ 3,700,585
National School Lunch Program	10.555	21000	-	7,569,993
Pass-Through State of New Mexico Human Services Department:				
National School Lunch Program - Commodities	10.555	21000	-	831,600
Total Child Nutrition Cluster			-	12,102,178
Fresh Fruit and Vegetable Program	10.582	24118	-	329,543
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition	10.561	25150	-	157,318
Total U.S. Department of Agriculture			-	12,589,039
Total Federal Assistance			\$ -	\$ 35,022,266

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

Total Federal Awards Expended per Schedule of Expenditures of Federal Awards	\$ 35,022,266
Total Expenditures Funded by Other Sources	230,604,275
Total Expenditures, Governmental Funds	<u>\$ 265,626,541</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

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, 2019. 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.



**INDEPENDENT AUDITORS' REPORT 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. Brian Colón, 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, 2019, 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 14, 2019.

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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Board of Education
State of New Mexico
Las Cruces Public School District No. 2 and
Mr. Brian Colón, 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 2019-004, 2019-006, 2019-007, and 2019-008.

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 results 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 14, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND 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. Brian Colón, 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, 2019. 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, 2019.

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 2019-002, 2019-003, and 2019-005. 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 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 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 did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-002, 2019-003, and 2019-005, that we consider to be significant deficiencies.

The District's response to the internal control over compliance 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 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. Brian Colón, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 14, 2019

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness (es) identified? _____ yes x no
 - Significant deficiency (ies) identified? x yes _____ none reported
3. Noncompliance material to financial Statements noted? _____ Yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness (es) identified? _____ yes x no
 - Significant deficiency (ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.553/10.555/10.556	Child Nutrition Cluster
84.010	Title I

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,050,668

Auditee qualified as low-risk auditee? _____ yes x no

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019-001 Internal Controls over Financial Close and Reporting

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: During our audit, we identified the following misstatements:

- During our testing of repairs and maintenance transactions, we identified 2 out of 40 disbursements, which totaled \$90,881, that were not properly identified by the District as capital assets.
- During our review of subsequent disbursements, we identified one disbursement for \$293,016 that was improperly accrued as accounts payable as of June 30, 2019.
- During our review of subsequent receipts, we identified one receipt in the amount of \$350,226 that was not properly accrued as accounts receivable as of June 30, 2019.

Criteria or specific requirement: Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the District's basic financial statements in accordance with GAAP.

Context: See "Condition."

Effect: Misstatements of the District's financial statements.

Cause: Management oversight. Lack of effective internal controls surrounding the year-end financial close and reporting process.

Recommendation: We recommend management review the internal controls surrounding the year-end financial reporting and close process and establish effective controls to ensure these misstatements are identified.

Views of responsible officials and planned corrective actions: Management will review current procedure and internal controls regarding the year-end financial close and reporting. Key staff will participate in the professional development for governmental accounting, financial reporting, and internal controls. Will establish procedures and internal controls for year-end financial close and reporting to ensure misstatements are identified. Will implement a continuous process improvement for ongoing review of procedures and internal controls related to year-end financial close and reporting. This will be implemented by June 30, 2021.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs

2019-002 Payroll Disbursements – Allowable Costs

Federal agency: U.S. Department of Education

Federal program title: Title I

CFDA Number: 84.010

Pass-Through Agency: New Mexico Public Education Department

Pass-Through Number(s): 24101

Award Period: 7/1/2018 – 9/30/2019

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matter

Criteria or specific requirement: 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.

Condition: During our review of 40 payroll expenditures, three transactions did not have a “Content Specialist Personnel Activity Report” signed by the employee’s direct supervisor. Upon further review, we identified that the three employees’ primary job codes were Instructional Specialist, Staff Developmental Specialist, and SEC- CLER III.

Questioned costs: None.

Context: See “Condition.”

Cause: District oversight ensuring schools are submitting the Content Specialist Personnel Action Report to serve as time and effort certification for all employees funded by the grant.

Repeat Finding: No

Effect: Noncompliance with applicable regulations and District policy.

Recommendation: We recommend utilizing an employee listing to audit that all required employees have a Content Specialist Personnel Activity Report form reviewed and approved by their direct supervisor in order to comply with Title I program requirements.

Views of responsible officials: The Federal Program Director will develop a process to ensure that all required employees submit the Personnel Activity Report form monthly and that all forms are accurately signed and dated. This will be implemented by June 30, 2020.

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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

2019-003 Special Provisions Testing – Participation of Private Schools

Federal agency: U.S. Department of Education

Federal program title: Title I

CFDA Number: 84.010

Pass-Through Agency: New Mexico Public Education Department

Pass-Through Number(s): 24101

Award Period: 7/1/2018 – 9/30/2019

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matter

Criteria or specific requirement: Per §200.64 Factors for determining equitable participation of private school children. (a) Equal expenditures. (1) Funds expended by an LEA under this subpart for services for eligible private school children in the aggregate must be equal to the proportion of funds generated by private school children from low-income families who reside in participating public school attendance areas under paragraph (a)(2) of this section. (2) An LEA must determine the proportional share of funds available for services for eligible private school children based on the total amount of funds received by the LEA under subpart 2 of part A of title I of the ESEA prior to any allowable expenditures or transfers by the LEA.

Condition: Special Provision testing included review of the Enrollment and Number of Low Income Children survey sheets, which is 1 of 4 survey sheets used by the District to verify the number of low income students in attendance at private schools. Testing identified one school reported 165 low-income students enrolled; however, in review of the Title I application, the District reported the school having 142 low-income students enrolled. As funding is calculated at a per pupil basis, this resulted in the private school receiving approximately \$15,385 less in proportionated equitable service funds.

Questioned costs: None.

Context: See “Condition.”

Cause: Management oversight.

Repeat Finding: No

Effect: Noncompliance with grant requirements.

Recommendation: We recommend the Department create internal controls and thorough review of applications to ensure applications are complete and meet the grant equitable services requirements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

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

2019-003 Special Provisions Testing – Participation of Private Schools (Continued)

Views of responsible officials: The Federal Program Director will develop a process of internal controls to ensure applications are complete and meet the grant equitable services requirements. Communicate to Private-Non-Profit (PNP) Sites the due dates, be available to answer any questions regarding the application and grant process, and help them to determine eligibility of Title I children. Continue to review grant equitable services requirements one month before the 120th day to collect updated eligibility documentation for the following year. This will be implemented by June 30, 2020.

2019-005 Policies on Internal Control

Federal agency: U.S. Department of Agriculture

Federal program title: National School Breakfast and Lunch Program

CFDA Number: 10.553/ 10.555/ 10.556

Pass-Through Agency: New Mexico Public Education Department

Pass-Through Number(s): 21000

Award Period: 7/1/2018-6/30/2019

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matter

Criteria or specific requirement: Per §200.303, the non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.
- (e) Take reasonable measures to safeguard protected personally identifiable information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

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

2019-005 Policies on Internal Control (Continued)

Condition: During our audit of the National School Breakfast and Lunch Program we noted the District did not have any formal written internal control polices or procedures associated with the Federal program.

Questioned costs: None.

Context: See “Condition.”

Cause: Management oversight.

Repeat Finding: No

Effect: Noncompliance with grant requirements.

Recommendation: We recommend the Department create formal written policies and implement internal controls to ensure the program meets grant requirements.

Views of responsible officials: Nutrition Services Director will facilitate a review of needed internal controls. In collaboration with the finance department, a system of internal controls will be developed and appropriately documented. The estimated completion date is June 30, 2022.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section IV – Other Findings

2019-004 (Previously 2018-002) District Processing Time of Lunch Applications

Type of Finding:

- Other Noncompliance

Criteria or specific requirement: Per District policy, student applications for free and reduced lunches are to be processed by the District within 10 days of receipt.

Condition: During our review of participant files, 1 out of 40 participant applications were processed more than ten days after the “Received date” stamp on the paperwork. Although the program has no formal “written policies”, applications are to be processed within 10 days of receipt per the District’s internal procedures.

Management’s Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2020

Context: See “Condition.”

Cause: Management oversight.

Repeat Finding: Repeat finding, originally finding 2018-002.

Effect: Noncompliance with District policy.

Recommendation: We recommend the District review the policy to ensure the adequacy as it relates to the federal program requirements and establish an effective control to ensure compliance with District policy.

Views of responsible officials: The Nutrition Services department will implement an online Application Program to expedite the processing of applications. Nutrition Services staff will attend training to gain knowledge of grants and compliance requirements. This online application program will be implemented in the school year 2020-21.

2019-006 (Previously 2011-001) IT General Controls

Type of Finding: Other Matters

Condition: During our review of IT general controls that are significant to financial reporting, we noted the following: the District has established an IT Committee and has several IT projects ongoing; however, it has yet to complete penetration testing over its internal security software systems. In addition, the District has not established an effective process to ensure security logs are 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 FY2020

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section IV – Other Findings (Continued)

2019-006 (Previously 2011-001) IT General Controls (Continued)

Criteria or specific requirement: 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 maintain 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.

Context: See “Condition.”

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

Cause: Lack of formal policies and resources.

Repeat Finding: Repeated Finding Originally Finding 2011-001.

Recommendation: We recommend the District continues to work toward setting aside budget to complete penetration testing and implement a process for review of security logs on a regular basis.

Views of responsible officials and planned corrective actions: With the additional security features we have available with our Microsoft plan, we are able to create rules that will alert or prevent several types of suspicious activity within our Azure cloud environment, including notifications of malware campaigns, suspicious user activity, and attempts to send PII outside of our network. We are also going to implement System Center Operations Manager to automate many of the monitoring and maintenance tasks on our servers and workstations. This will give us more accurate reporting and logging across all systems. This will provide management with information necessary to proactively monitor logs that may present a potential security issue.

Penetration testing is still pending the completion of the CAT 2 Phase 1 project. Since we know that we have a lot of equipment that is end of support and therefore unable to be patched, a penetration test would not be beneficial until these security issues are resolved. This project is set to begin once an FCDL is issued by USAC. The estimated completion date is June 30, 2021.

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

Section IV – Other Findings (Continued)

2019-007 (Previously 2018-005) Fuel Cards

Type of Finding: Other Non-Compliance

Condition: During testing over fuel cards, it was identified that supporting receipts were not maintained by the District in order to reconcile against the fuel card statement.

Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY2020

Criteria or specific requirement: 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."

Context: "See Condition."

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

Cause: Management oversight and lack of controls of fuel cards.

Repeat Finding: Repeat finding originally finding 2018-005.

Recommendation: We recommend the District holds periodic audits and requests supporting receipts from the respective departments when reconciling P-card statements.

Views of responsible officials and planned corrective actions: Management is evaluating the state's fuel card system and potentially will be converting before the end of the fiscal year. New procedures and guidance will be developed. Training will be conducted for all staff on processes and procedures. In addition, a more frequent audit process will be implemented. The estimated date of implementation for the new fuel card system is school year 2020-21.

2019-008 (Previously 2017-005) Timely Cash Deposits

Type of Finding: Other Non-Compliance

Condition: During our testing of cash receipts, we encountered 4 out 22 receipts, totaling \$341, 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 FY2020

Criteria or specific requirement: 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.

Context: See "Condition."

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section IV – Other Findings (Continued)

2019-008 (Previously 2017-005) Timely Cash Deposits (Continued)

Effect: Noncompliance with state statute.

Cause: Management oversight.

Repeat Finding: Repeat finding, originally finding 2017-005

Recommendation: We recommend that the District provide training over proper cash handling procedures at the school sites and complete random audits to ensure the schools comply with state statute.

Views of responsible officials and planned corrective actions: Management is currently working on reviewing internal controls for potential weakness and developing comprehensive procedures for cash handling. Working on procedures for audit and planning for unannounced audits. The District is continuing to update and revise its policies, regulations, procedures, and forms regarding cash controls. The estimated date of completion is June 30, 2021.

**STATE OF NEW MEXICO
 LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 YEAR ENDED JUNE 30, 2019**

Section V – Prior Year Financial Statement Findings

None.

Section VI – Prior Year Findings and Questioned Costs – Major Federal Programs

Finding #	Status
2018-001 Payroll Disbursements (Significant Deficiency, Instance of Noncompliance)	Resolved
2018-002 Eligibility (Significant Deficiency, Instance of Noncompliance)	Repeated as 2019-004, as “Other Findings”

Section VII – Prior Year Other Findings

Finding #	Status
2018-003 Travel and Per Diem (Other Noncompliance)	Resolved
2018-004 IT General Controls (Finding That Does Not Rise to the Level of Significant Deficiency)	Repeated as 2019-006
2018-005 Fuel Cards (Finding That Does Not Rise To the Level of Significant Deficiency)	Repeated as 2019-007
2018-006 Timely Cash Deposits (Other Non-Compliance)	Repeated as 2019-008

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
EXIT CONFERENCE
JUNE 30, 2019**

An exit conference was held with the District on November 12, 2019. 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

Dr. Karen Trujillo, Interim Superintendent
Edward Ellison, Chief Financial Officer
Will A. Manning, Director of Purchasing
Melissa Zuniga, Controller
Maria Flores, Board Member

CLIFTONLARSONALLEN LLP

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

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 Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriter 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.

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 Underwriter believe to be reliable, but none of the District, the Financial Advisor or the Underwriter 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

May 20, 2020

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

Re: \$28,650,000 Las Cruces School District No. 2, General Obligation Refunding Bonds,
Series 2020

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 \$28,650,000 General Obligation Refunding Bonds, Series 2020 (the "Bonds"), dated their date of issuance, with interest payable on August 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 2028, 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,

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the Las Cruces School District No. 2, Doña Ana County, New Mexico (the “District”), in connection with the issuance of the \$28,650,000 Las Cruces School District No. 2, Doña Ana County, New Mexico, General Obligation Refunding Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to the Resolution of the District adopted on March 17, 2020 as supplemented by the Resolution of the District adopted on April 21, 2020 and the Pricing Certificate executed on May 6, 2020, (collectively, the “Resolution”). Pursuant to the Resolution, to allow the underwriters of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the “Owners”). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) “Annual Financial Information” means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time (“GAAP”), for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”)) or operating data with respect to the District, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type included in the section of the Official Statement entitled “DEBT AND OTHER FINANCIAL OBLIGATIONS,” “TAX BASE,” “THE DISTRICT-Enrollment,” and “FINANCES OF THE DISTRICT - State Equalization Guarantee, Statement of Net Assets, Statement of Activities, Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.” Annual Financial Information may, but is not required to, include Audited Financial Statements.

(b) “Audited Financial Statements” means the District’s annual financial statements, prepared in accordance with GAAP for governmental units as prescribed from time to time by GASB, which financial statements have been audited by such auditor as may then be required or permitted by the laws of the State.

(c) “EMMA” means the MSRB’s Electronic Municipal Market Access system located on the MSRB website at emma.msrb.org.

(d) “Event Information” means the information delivered pursuant to section 3(d).

(e) “Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided however that a “financial obligation” shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

(f) “Official Statement” means the Official Statement delivered in connection with the original issue and sale of the Bonds.

(g) “Report Date” means March 31 of each year, beginning in 2021.

(h) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, 5 240.15~2-12), as the same may be amended from time to time.

(i) “SEC” means the Securities and Exchange Commission.

(j) “State” means the State of New Mexico.

Section 3. Provision of Annual Financial Information and Reporting of Event Information.

(a) The District, or its designated agent, will provide the Annual Financial Information for the preceding fiscal year to EMMA on or before each Report Date while the Bonds are outstanding.

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the District, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. In such cases, Audited Financial Statements will be provided to EMMA when and if available.

(c) The District, or its designated agent, may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the District, which have been submitted to EMMA or filed with the SEC; provided, however, that if the document so referenced is a “final official statement” within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) The District, or its designated agent, will provide, to EMMA, notice of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) 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 security, or other material events affecting the tax-exempt status of the security;

(vii) modifications to rights of security holders, if material;

(viii) bond calls, if material or tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material; and

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material;

(xv) the incurrence of a Financial Obligation 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 District, any of which affect security holders, if material; and

(xvi) a 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.

(e) The District or its designated agent, will provide, in a timely manner after the occurrence of the event, to EMMA, notice of failure of the District to timely provide the Annual Financial Information as specified in Sections 3(a) and 3(b).

Section 4. Method of Transmission. Unless otherwise required by law and subject to technical or economic feasibility, the District, or its designated agent, will employ such methods of electronic or physical information transmission as are requested or recommended from time to time by EMMA, the MSRB or the SEC.

Section 5. Enforcement. The obligations of the District under this Undertaking are for the benefit of the Owners. Each Owner is authorized to take action to seek specific performance by court order to compel the District to comply with its obligations under this Undertaking, which action will be the exclusive remedy available to it or any other Owner. The District's breach of its obligations under this Undertaking will not constitute an event of default under the Resolution, and none of the rights and remedies provided by such Resolution will be available to the Owners with respect to such a breach.

Section 6. Term. The District's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Resolution; (ii) the date on which the District is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Amendments. The District may amend this Undertaking from time to time, without the consent of any Owner, upon the District's receipt of an opinion of independent counsel experienced in federal securities laws to the effect that such amendment:

(a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the District;

(b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and

(c) the amendment does not materially impair the interests of the Owners.

Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Beneficiaries. This Undertaking binds and inures to the sole benefit of the District and the Owners and creates no rights in any other person or entity.

Section 9. Undertaking Does Not Create General Obligation Debt. The District's performance of its obligations under this Undertaking shall be subject to the availability of necessary funds from annual operating revenues of the District and this Undertaking shall not be deemed to create a long-term general obligation indebtedness of the District.

Section 10. Governing Law. This Undertaking is governed by and is to be construed in accordance with the law of the State.

Date: May 20, 2020

LAS CRUCES SCHOOL DISTRICT NO. 2

By: _____
Terrie Dallman, President, Board of Education

By: _____
Dr. Karen Trujillo, Superintendent

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