

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
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LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
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**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
OFFICIAL ROSTER
JUNE 30, 2017**

Board of Education

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

School Officials

Dr. Gregory Ewing	Superintendent
Crystal Valdez	Chief Financial Officer
Ed Ellison	Assistant Superintendent of Finance
Melissa Zuniga	Controller

INDEPENDENT AUDITORS' REPORT

Board of Education
State of New Mexico
Las Cruces Public School District No. 2 and
Mr. Timothy Keller, 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2017 and the budgetary comparisons for the general fund and each major special revenue fund and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, a restatement to the District's beginning net position in the amount of \$4,728,174 was required due to the correction of errors in previously reported balances as of June 30, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 and the Schedules of Proportionate Share of the Net Pension Liability/Contributions starting on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules required by 2.2.2.NMAC are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

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

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 15, 2017

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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, 2017. 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 2017 are as follows:

- ❖ The net position of the governmental funds increased for the fiscal year ended June 30, 2017 by \$2.9 million or 69.9%. This is due primarily to a restatement of the June 30, 2016 net position by \$4.7 million (see note #16).
- ❖ Total liabilities of governmental fund activities increased by \$20.8 million or 4.3% from the previous fiscal year.
- ❖ The district had \$263.3 million in expenses related to governmental activities; \$52.1 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 \$209.4 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.

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 2017?" 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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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.

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

	FY 2017	FY 2016	Amount Change	Total % Change
Assets:				
Current and Other Assets	\$ 85,800,148	\$ 82,777,990	\$ 3,022,158	4%
Capital and Non-Current Assets	387,980,533	374,516,544	13,463,989	4%
Total Assets	473,780,681	457,294,534	16,486,147	4%
Deferred Outflows of Resources	46,921,936	31,015,381	15,906,555	51%
Total Assets and Deferred Outflows of Resources	\$ 520,702,617	\$ 488,309,915	\$ 32,392,702	7%
Liabilities:				
Current Liabilities	\$ 32,065,189	\$ 34,035,795	\$ (1,970,606)	-6%
Long-Term Liabilities	465,809,077	443,045,749	22,763,328	5%
Total Liabilities	497,874,266	477,081,544	20,792,722	4%
Deferred Inflows of Resources	15,750,424	7,062,780	8,687,644	123%
Net Position:				
Net Investment in Capital Assets	235,833,743	243,311,560	(7,477,817)	-3%
Restricted	52,370,185	47,017,369	5,352,816	11%
Unrestricted	(281,126,001)	(286,163,338)	5,037,337	-2%
Total Net Position	7,077,927	4,165,591	2,912,336	70%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 520,702,617	\$ 488,309,915	\$ 32,392,702	7%

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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

	FY 2017	FY 2016	Amount Change	Total % Change
Revenues:				
Program Revenues:				
Charges for Services	\$ 3,886,240	\$ 3,663,640	\$ 222,600	6%
Capital Grants and Contributions	2,165,542	2,058,348	107,194	5%
Operating Grants and Contributions	46,040,113	44,765,814	1,274,299	3%
Total Program Revenues	52,091,895	50,487,802	1,604,093	3%
General Revenues:				
State Equalization Guarantee	174,733,903	180,348,430	(5,614,527)	-3%
Property Taxes	31,885,469	30,884,170	1,001,299	3%
Unrestricted Investment Earnings	299,113	130,918	168,195	128%
Miscellaneous	2,492,154	49,504	2,442,650	4934%
Total General Revenues	209,410,639	211,413,022	(2,002,383)	-1%
Total Revenues	261,502,534	261,900,824	(398,290)	0%
Expenses:				
Instruction	136,984,895	140,415,117	(3,430,222)	-2%
Support Services	49,115,944	44,614,050	4,501,894	10%
Central Services	5,446,356	4,072,058	1,374,298	34%
Operation and Maintenance of Plant	22,366,085	23,118,883	(752,798)	-3%
Student Transportation	6,116,207	6,429,950	(313,743)	-5%
Food Services Operations	12,904,972	12,732,159	172,813	1%
Community Services Operations	68,152	135,652	(67,500)	-50%
Facilities, Materials, Supplies and Other Services	9,684,004	17,511,553	(7,827,549)	-45%
Interest on Long-Term Debt	5,440,419	5,934,972	(494,553)	-8%
Unallocated Depreciation	15,191,338	9,059,704	6,131,634	68%
Total Expenses	263,318,372	264,024,098	(705,726)	0%
CHANGE IN NET POSITION	(1,815,838)	(2,123,274)	307,436	-14%
Net Position - Beginning of Year	4,165,591	6,311,025	(2,145,434)	-34%
Restatement	4,728,174	-	4,728,174	0%
Net Position - Beginning of Year, As Restated	8,893,765	-	8,893,765	0%
NET POSITION - END OF YEAR	\$ 7,077,927	\$ 4,165,591	\$ 2,912,336	70%

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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 (82%) percent 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 \$281.5 million and expenditures and other financing uses of \$281.7 million. The net change in fund balance for the year was a decrease of \$162,466.

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 2017 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 \$187.7 million. Actual expenditures were \$177.6 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, 2017**

Actual revenues for the general fund were \$178.9 million, with revenues from state sources constituting 98% of this total. Actual revenues exceeded actual expenditures by \$712,198.

Significant Variations Between Original and Final Budgets

	Original	Final	Change	% Change
General Fund:				
Revenue	\$ 179,770,306	\$ 177,107,194	\$ 2,663,112	1.5 %
Expenditures	187,270,306	187,694,992	(424,686)	(0.2)%

Budgeted revenue decreased \$2.7 million or 1.5% from the original to final budget. This decrease is due primarily to a decrease in State Equalization Guarantee (SEG) funding from the State of New Mexico during fiscal year 2017. The District is required by state law to have a balanced budget.

Significant Changes in Fund Balance

The bond fund reflects a decrease in fund balance of \$2.5 million. This decrease is predominantly attributable to funding major construction projects, such as Las Cruces High School.

No other funds experienced significant changes in fund balance.

Capital Assets and Debt Administration

Capital Assets

During the 2017 fiscal year, the District had a net change of \$13 million. The total additions consisted primarily of construction and renovation projects across the District, most notable the continued Las Cruces High School renovation project. At the end of fiscal year 2017, the District had \$528 million invested in depreciable assets, with accumulated depreciation of \$172 million, \$6.8 million in land and \$25.7 million in construction in progress (see note #6). A following is a summary of the District's capital assets, net of depreciation, at June 30, 2017 and 2016.

	Balance, June 30, 2016	Additions	Deletions & Transfers	Balance June 30, 2017
Capital Assets Not Being Depreciated	\$ 34,344,898	\$ 27,157,912	\$ (28,964,670)	\$ 32,538,140
Land Improvements	26,968,700	-	3,202,846	30,171,546
Buildings and Building Improvements	445,491,270	11,767	25,753,345	471,256,382
Equipment and Vehicles	25,682,406	2,066,975	(1,331,373)	26,418,008
Less Accumulated Depreciation	(157,970,730)	(15,725,719)	1,292,906	(172,403,543)
Capital Assets, Net	<u>\$ 374,516,544</u>	<u>\$ 13,510,935</u>	<u>\$ (46,946)</u>	<u>\$ 387,980,533</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Debt

At June 30, 2017, the District had outstanding bonds payable of \$117.8 million and capital lease obligation of \$33.6 million, for total indebtedness of \$151.3 million. A summary of long-term debt, at June 30, 2017 and 2016 is presented below.

	Balance, June 30, 2016	Additions	Deletions	Balance June 30, 2017
Bonds Payable	\$ 110,480,000	\$ 18,055,000	\$ (10,695,000)	\$ 117,840,000
Capital Lease	35,259,984	-	(1,612,532)	33,647,452
Compensated Absences	2,888,734	1,349,075	(1,267,677)	2,970,132
Total Long-Term Debt	<u>\$ 148,628,718</u>	<u>\$ 19,404,075</u>	<u>\$ (13,575,209)</u>	<u>\$ 154,457,584</u>

The District is bonded to 75.9% of the legal limit of \$199.6 million. In February 2014, the voters approved the issuance of \$65 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>
December 2014	\$15 million
December 2015	\$15 million
December 2016	\$20 million
December 2017	\$15 million

Factors Impacting Future Periods

Las Cruces Public Schools sold the remaining authorized block of the 2014 bond election October 2017 (see note #15).

Las Cruces High School renovation is estimated to cost approximately \$90,000,000 (including the Public School Facilities Authority contribution), requiring a significant use of capital monies and is expected to be completed within the next fiscal year.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Contacting the School District's Financial Management

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

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**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and Cash Equivalents	\$ 47,461,707
Investments	27,044,951
Receivables, Net	10,472,528
Inventory	820,962
Total Current Assets	<u>85,800,148</u>
 Noncurrent Assets:	
Capital Assets:	
Construction in Progress	25,718,434
Art	20,700
Land	6,799,006
Land Improvements	30,171,546
Building and Building Improvements	471,256,382
Equipment and Vehicles	26,418,008
	<u>560,384,076</u>
 Less: Accumulated Depreciation	 172,403,543
Total Noncurrent Assets	<u>387,980,533</u>
 Total Assets	 473,780,681
 Deferred Outflows of Resources Related to the Net Pension Liability	 <u>46,921,936</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u><u>\$ 520,702,617</u></u>

See accompanying Notes to Financial Statements.

	<u>Governmental Activities</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities:	
Accounts Payable	\$ 3,961,548
Due to Government	125
Accrued Liabilities	12,507,355
Current Portion of Accrued Compensated Absences	2,970,132
Accrued Interest	1,782,891
Current Portion of Capital Lease Obligation	1,678,138
Current Portion of Bonds Payable	9,165,000
Total Liabilities	<u>32,065,189</u>
Noncurrent Liabilities:	
Net Pension Liability	321,156,680
Capital Lease Obligation Due in More than One Year	31,969,314
Bonds Due in More than One Year, Net of Premiums	112,683,083
Total Noncurrent Liabilities	<u>465,809,077</u>
Total Liabilities	497,874,266
Deferred Inflows of Resources Related to the Net Pension Liability	15,750,424
Net Investment in:	
Capital Assets	235,833,743
Restricted for:	
Debt Service	14,324,236
Capital Projects	20,153,573
Other	17,892,376
Unrestricted (Deficit)	<u>(281,126,001)</u>
Total Net Position	<u>7,077,927</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 520,702,617</u></u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

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	\$ 136,984,895	\$ 2,122,398	\$ 17,309,620	\$ -	\$ (117,552,877)
Support Services:					
Students	24,460,203	-	7,280,004	-	(17,180,199)
Instruction	9,960,246	-	3,723,559	-	(6,236,687)
General Administration	2,477,290	-	764,490	-	(1,712,800)
School Administration	12,218,205	-	225,719	-	(11,992,486)
Other	-	-	-	-	-
Central Services	5,446,356	-	-	-	(5,446,356)
Operation and Maintenance of Plant	22,366,085	-	8,197	-	(22,357,888)
Student Transportation	6,116,207	-	3,920,242	-	(2,195,965)
Food Services Operations	12,904,972	1,763,842	12,640,516	-	1,499,386
Community Services Operations	68,152	-	11,166	-	(56,986)
Facilities, Materials, Supplies, and Other Services	9,684,004	-	156,600	2,165,542	(7,361,862)
Interest on long-term debt	5,440,419	-	-	-	(5,440,419)
Unallocated Depreciation	15,191,338	-	-	-	(15,191,338)
Total Governmental Activities	\$ 263,318,372	\$ 3,886,240	\$ 46,040,113	\$ 2,165,542	(211,226,477)
General Revenues:					
Property Taxes:					
Levied for General Purposes					1,232,071
Levied for Debt Services					14,925,038
Levied for Capital Projects					15,728,360
State Equalization Guarantee Revenue					174,733,903
Unrestricted Investment Earnings					299,113
Miscellaneous					2,492,154
Total General Revenues					<u>209,410,639</u>
CHANGE IN NET POSITION					(1,815,838)
Net Position - Beginning of Year - As Previously Reported					4,165,591
Restatement					4,728,174
Net Position - Beginning of Year, As Restated					<u>8,893,765</u>
NET POSITION - END OF YEAR					<u>\$ 7,077,927</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	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	\$ 3,449,226	\$ -	\$ 387,553	\$ -	\$ -	\$ 6,621,986	\$ 12,146,894	\$ 829,754	\$ 24,026,294	\$ 47,461,707
Investments	13,000,000	-	-	-	-	-	-	14,020,426	24,525	27,044,951
Accounts Receivable:										
Taxes	109,285	-	-	-	-	-	784,375	1,250,433	532,998	2,677,091
Due from Other Governments	-	-	-	2,175,515	1,632,806	-	-	-	3,959,486	7,767,807
Due from Other Funds	6,340,407	-	-	-	-	-	-	-	-	6,340,407
Other	19,249	-	-	-	-	-	-	6,514	1,867	27,630
Inventory	235,829	-	-	-	-	-	-	-	585,133	820,962
Total Assets	\$ 23,153,996	\$ -	\$ 387,553	\$ 2,175,515	\$ 1,632,806	\$ 6,621,986	\$ 12,931,269	\$ 16,107,127	\$ 29,130,303	\$ 92,140,555
LIABILITIES										
Accounts Payable	\$ 384,728	\$ -	\$ -	\$ 5,866	\$ 7	\$ 272,968	\$ 1,980,938	\$ -	\$ 1,317,041	\$ 3,961,548
Due to Government	-	-	-	-	-	-	-	-	125	125
Accrued Expenses	10,939,969	-	-	297,680	209,831	-	-	-	1,059,875	12,507,355
Due to Other Funds	-	-	-	1,871,969	1,422,968	-	-	-	3,045,470	6,340,407
Total Liabilities	11,324,697	-	-	2,175,515	1,632,806	272,968	1,980,938	-	5,422,511	22,809,435
DEFERRED INFLOWS OF RESOURCES										
Unavailable Revenues	85,603	-	-	-	-	-	615,932	984,544	418,826	2,104,905
FUND BALANCES										
Nonspendable	235,829	-	-	-	-	-	-	-	585,133	820,962
Restricted by Grantor	-	-	387,553	-	-	-	-	-	16,919,690	17,307,243
Restricted for Debt Service	-	-	-	-	-	-	-	15,122,583	-	15,122,583
Restricted for Capital Projects	-	-	-	-	-	6,349,018	10,334,399	-	5,784,143	22,467,560
Assigned	9,927,620	-	-	-	-	-	-	-	-	9,927,620
Unassigned	1,580,247	-	-	-	-	-	-	-	-	1,580,247
Total Fund Balances	11,743,696	-	387,553	-	-	6,349,018	10,334,399	15,122,583	23,288,966	67,226,215
Total Liabilities and Fund Balances	\$ 23,153,996	\$ -	\$ 387,553	\$ 2,175,515	\$ 1,632,806	\$ 272,968	\$ 12,931,269	\$ 16,107,127	\$ 29,130,303	\$ 92,140,555

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, 2017**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 67,226,215
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
The Cost of Capital Assets is	560,384,076
Accumulated Depreciation is	(172,403,543)
Total Capital Assets	387,980,533
Deferred inflow and outflows of resources related to the net pension liability and not reported in the funds.	
Deferred Outflows of Resources Related to the Net Pension Liability	46,921,936
Deferred Inflows of Resources Related to the Net Pension Liability	(15,750,424)
Deferred Inflows of Resources - Unavailable Property Taxes	2,104,905
Original bond issue discounts and premiums are not financial resources and, therefore, are not reported in the funds.	
Bond Issuance Premiums Net of Accumulated Amortization	(4,008,083)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term and other liabilities at year end consist of:	
Accrued Interest	(1,782,891)
Accrued Compensated Absences	(2,970,132)
Capital Lease Obligation	(33,647,452)
General Obligation Bonds	(117,840,000)
Net Pension Liability	(321,156,680)
Net Position of Governmental Activities (Statement of Net Position)	\$ 7,077,927

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, 2017**

	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	\$ 1,229,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,358,996	\$ 14,889,122	\$ 6,331,514	\$ 31,808,738
State Grants	175,442,109	3,434,282	1,502,929	-	-	-	-	-	6,147,015	186,526,335
Federal Grants	-	-	-	7,111,012	5,676,384	-	-	-	21,739,210	34,526,606
Charges for Services	66,497	-	-	-	-	-	-	-	3,819,743	3,886,240
Miscellaneous	1,758,975	-	14,944	-	-	-	-	-	24,973	1,798,892
Local and Private Sources	-	-	-	-	-	-	-	-	2,579,879	2,579,879
Interest	137,360	-	517	-	-	45,693	45,012	35,381	35,150	299,113
Total Revenues	178,634,047	3,434,282	1,518,390	7,111,012	5,676,384	45,693	9,404,008	14,924,503	40,677,484	261,425,803
EXPENDITURES										
Current:										
Instruction	113,467,898	-	1,899,631	4,048,963	2,503,356	-	-	-	9,550,088	131,469,936
Support Services:										
Students	16,286,769	-	-	495,597	2,869,395	-	-	-	3,938,831	23,590,592
Instruction	5,916,644	-	-	2,314,155	-	-	-	-	1,511,434	9,742,233
General Administration	1,342,642	-	-	163,815	130,874	-	115,257	182,310	491,663	2,426,561
School Administration	11,410,807	-	-	69,119	-	-	-	-	202,900	11,682,826
Central Services	5,210,219	-	-	-	-	-	-	-	1,222	5,211,441
Operations and Maintenance of Plant	21,851,025	-	-	8,197	-	-	-	-	31,165	21,890,387
Student Transportation	2,250,795	3,434,282	-	-	172,759	-	-	-	249,519	6,107,355
Other Support Services	-	-	-	-	-	-	-	-	-	-
Food Service Operations	2,157	-	-	-	-	-	-	-	12,890,553	12,892,710
Community Service	53,986	-	-	11,166	-	-	-	-	516	65,668
Facilities, Materials, and Supplies	128,907	-	-	-	-	22,576,015	10,202,584	-	9,130,513	42,038,019
Debt Service:										
Principal	-	-	-	-	-	-	-	10,695,000	-	10,695,000
Interest	-	-	-	-	-	-	-	3,779,560	-	3,779,560
Bond Issuance Costs	-	-	-	-	-	105,250	-	-	-	105,250
Total Expenditures	177,921,849	3,434,282	1,899,631	7,111,012	5,676,384	22,681,265	10,317,841	14,656,870	37,998,404	281,697,538
DEFICIENCY OF REVENUES UNDER EXPENDITURES	712,198	-	(381,241)	-	-	(22,635,572)	(913,833)	267,633	2,679,080	(20,271,735)
OTHER FINANCING SOURCES (USES)										
Bond Issuance Premiums	-	-	-	-	-	2,054,269	-	-	-	2,054,269
Proceeds from Bond Issues	-	-	-	-	-	18,055,000	-	-	-	18,055,000
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-	-	-	-
Operating Transfers In	-	-	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	-	-	-	-	-	20,109,269	-	-	-	20,109,269
NET CHANGE IN FUND BALANCES	712,198	-	(381,241)	-	-	(2,526,303)	(913,833)	267,633	2,679,080	(162,466)
Fund Balances - Beginning	11,031,498	-	768,794	-	-	8,875,321	11,248,232	14,854,950	20,609,886	67,388,681
FUND BALANCES - ENDING	\$ 11,743,696	\$ -	\$ 387,553	\$ -	\$ -	\$ 6,349,018	\$ 10,334,399	\$ 15,122,583	\$ 23,288,966	\$ 67,226,215

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, 2017**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (162,466)
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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.	(7,397,903)
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Unavailable Revenue - Property Taxes	76,731
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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	(15,725,719)
Capital Outlay	29,236,654
Loss on Disposal of Capital Assets	(46,946)

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	310,772
Bond Underwriter Premiums	(2,054,269)
Increase in Accrued Interest Payable	(223,826)
Increase in Accrued Compensated Absences	(81,398)
Bond Proceeds	(18,055,000)
Principal Payments on Bonds	10,695,000
Capital Lease Payments	1,612,532

Change in Net Position of Governmental Activities (Statement of Activities)	\$ (1,815,838)
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**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, 2017**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 1,217,628	\$ 1,217,628	\$ 1,510,027	\$ 292,399
State Grants	177,469,678	174,806,566	174,833,352	26,786
Federal Grants	530,000	530,000	656,703	126,703
Charges for Services	29,000	29,000	278,387	249,387
Miscellaneous	510,000	510,000	1,499,141	989,141
Interest	14,000	14,000	120,831	106,831
Total Revenues	<u>179,770,306</u>	<u>177,107,194</u>	<u>178,898,442</u>	<u>1,791,248</u>
EXPENDITURES				
Current:				
Instruction	116,211,691	116,211,691	113,514,968	2,696,723
Support Services:				
Students	17,037,978	17,037,978	16,293,649	744,329
Instruction	6,977,884	6,977,884	5,912,865	1,065,019
General Administration	1,630,620	1,630,620	1,341,953	288,667
School Administration	11,815,932	11,815,932	11,411,549	404,383
Central Services	5,950,371	5,950,371	5,180,226	770,145
Operation/Maintenance of Plant	23,833,196	24,257,882	21,551,463	2,706,419
Student Transportation	1,814,741	1,814,741	2,250,836	(436,095)
Other Support Services	1,702,366	1,702,366	-	1,702,366
Food Services Operations	-	5,000	2,157	2,843
Community Services	167,178	162,178	53,987	108,191
Capital Outlay	128,349	128,349	128,907	(558)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>187,270,306</u>	<u>187,694,992</u>	<u>177,642,560</u>	<u>10,052,432</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES				
	(7,500,000)	(10,587,798)	1,255,882	11,843,680
Designated Cash	<u>7,500,000</u>	<u>10,587,798</u>	<u>-</u>	<u>(10,587,798)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>1,255,882</u>	<u>\$ 1,255,882</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			(264,395)	
Adjustments to Expenditures			(279,289)	
Net Changes in Fund Balance (GAAP Basis)			<u>\$ 712,198</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, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	3,949,824	3,434,282	3,434,282	-
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total Revenues	<u>3,949,824</u>	<u>3,434,282</u>	<u>3,434,282</u>	<u>-</u>
EXPENDITURES				
Current:				
Instruction	-	-	-	-
Support Services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation/Maintenance of Plant	-	-	-	-
Student Transportation	3,949,824	3,434,282	3,434,282	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>3,949,824</u>	<u>3,434,282</u>	<u>3,434,282</u>	<u>-</u>
DEFICIENCY OF REVENUES 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>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			-	
Adjustments to Expenditures			-	
Net Changes in Fund Balance (GAAP Basis)			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL – INSTRUCTIONAL MATERIALS SPECIAL REVENUE FUND (14000)
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	1,324,570	1,130,838	1,686,662	555,824
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous	-	-	14,944	14,944
Interest	-	-	517	517
Total Revenues	<u>1,324,570</u>	<u>1,130,838</u>	<u>1,702,123</u>	<u>571,285</u>
EXPENDITURES				
Current:				
Instruction	1,811,978	1,899,631	1,899,631	-
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>1,811,978</u>	<u>1,899,631</u>	<u>1,899,631</u>	<u>-</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES				
	(487,408)	(768,793)	(197,508)	571,285
Designated Cash	<u>487,408</u>	<u>768,793</u>	<u>-</u>	<u>(768,793)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(197,508)</u>	<u>\$ (197,508)</u>
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			(183,733)	
Adjustments to Expenditures			-	
Net Changes in Fund Balance (GAAP Basis)			<u>(381,241)</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, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	7,599,114	8,572,227	7,385,100	(1,187,127)
Federal Grants	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total Revenues	<u>7,599,114</u>	<u>8,572,227</u>	<u>7,385,100</u>	<u>(1,187,127)</u>
EXPENDITURES				
Current:				
Instruction	4,042,722	4,978,675	4,043,856	934,819
Support Services:				
Students	503,089	570,727	495,598	75,129
Instruction	2,722,736	2,642,970	2,314,156	328,814
General Administration	177,826	200,262	163,815	36,447
School Administration	128,581	125,433	68,357	57,076
Central Services	-	-	-	-
Operation/Maintenance of Plant	16,660	16,660	8,197	8,463
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	7,500	37,500	11,168	26,332
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>\$ 7,599,114</u>	<u>\$ 8,572,227</u>	<u>7,105,147</u>	<u>\$ 1,467,080</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES			279,953	
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			(274,088)	
Adjustments to Expenditures			(5,865)	
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, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-
Federal Grants	4,925,052	7,934,764	6,059,906	(1,874,858)
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
Total Revenues	<u>4,925,052</u>	<u>7,934,764</u>	<u>6,059,906</u>	<u>(1,874,858)</u>
EXPENDITURES				
Current:				
Instruction	2,044,044	3,313,044	2,503,357	809,687
Support Services:				
Students	2,571,699	4,242,411	2,869,395	1,373,016
Instruction	-	-	-	-
General Administration	118,509	188,509	130,874	57,635
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation/Maintenance of Plant	800	800	-	800
Student Transportation	190,000	190,000	172,758	17,242
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>\$ 4,925,052</u>	<u>\$ 7,934,764</u>	<u>5,676,384</u>	<u>\$ 2,258,380</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES			383,522	
RECONCILIATION TO GAAP BASIS				
Adjustments to Revenues			(383,522)	
Adjustments to Expenditures			-	
Net Changes in Fund Balance (GAAP Basis)			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Current Assets:	
Cash	<u>\$ 801,668</u>
Total Assets	<u><u>\$ 801,668</u></u>
LIABILITIES	
Current Liabilities:	
Deposits Held in Trust for Others	<u>\$ 801,668</u>
Total Liabilities	<u><u>\$ 801,668</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, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Reporting Entity

The GASB Codification establishes criteria for determining the government reporting entity and component unit that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Codification, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The District has no component units.

Government-Wide and Fund Financial Statements

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

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

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017**

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, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Additionally, the District reports the following agency fund:

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

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

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

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

Likewise, general revenues include all taxes.

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

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

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

The District receives monthly income from a tax levy in Dona Ana County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the Dona Ana County Treasurer in July and August 2017 is considered "measurable and available" and, accordingly, is recorded as revenue during the year ended June 30, 2017.

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, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets: Capital assets, which include construction in progress, land and land improvements, building and building improvements, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2017 financial statements of the District, since the District did not own any infrastructure assets as of June 30, 2017. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the District did not maintain internally developed software. The District expensed the cost of library books when purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2017.

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, 2017**

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, \$5,393,473 was recorded as interest on long-term debt.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District is reporting \$46,921,936 related to the pension plan in this category as of June 30, 2017.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District reported deferred inflows that were related to the net pension liability in the amount of \$15,750,424 as of June 30, 2017. The District also reported deferred inflows on the fund financial statements related to property tax revenue of \$2,104,905 as of June 30, 2017.

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

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

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

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

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

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

The government-wide statement of net position reports \$52,370,185 of restricted net position, which is restricted by enabling legislation.

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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)

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

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

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

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

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

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."

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues (Continued)

A school district's program costs are determined through the use of various formulas using 'program units', which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual- multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$174,733,903 in state equalization guarantee distributions during the year ended June 30, 2017.

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 \$31,885,469 in tax revenues during the year ended June 30, 2017. 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 Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportations distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$3,434,282 in transportation distributions during the year ended June 30, 2017.

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, 2017 totaled \$1,502,929.

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.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues (Continued)

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

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

During the year ended June 30, 2017, 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 one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the district under the Public School Capital Improvements Act. The distribution is made by December 1st, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure is reduced as necessary.

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, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

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

1. In April or May, the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Public Education Department a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system. The District shall make corrections, revisions, and amendments to the estimated

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

- budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
 6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
 7. Legal budget control for expenditures is by function.
 8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Las Cruces Public Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
 9. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds.
 10. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

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

The accompanying statements of revenues, expenditures, and changes in fund balance – budget and actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017.

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, 2017**

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	\$ 5,101	\$ 32,072,786	\$ 3,567,939
FDIC Coverage	(5,101)	(250,000)	(250,000)
Total Uninsured Public Funds	-	31,822,786	3,317,939
Collateral Requirement (50% of uninsured public funds)	\$ -	\$ 15,911,393	\$ 1,658,970
Pledged Security	-	(29,232,713)	(3,500,000)
Total Under (Over) Collateralized	<u>\$ -</u>	<u>\$ (13,321,320)</u>	<u>\$ (1,841,031)</u>
	First American Bank	Wells Fargo Bank	Total
Total Amount of Deposits	\$ 80,292	\$ 16,139,902	\$ 51,866,020
FDIC Coverage	(80,292)	(250,000)	(835,393)
Total Uninsured Public Funds	<u>\$ -</u>	<u>\$ 15,889,902</u>	<u>\$ 51,030,627</u>
Collateral Requirement (50% of uninsured public funds)	\$ -	\$ 7,944,951	\$ 25,515,314
Pledged Security	(265,798)	(15,642,473)	(48,640,984)
Total Under (Over) Collateralized	<u>\$ (265,798)</u>	<u>\$ (7,697,522)</u>	<u>\$ (23,125,671)</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$2,831,502 of the District's bank balances of \$51,866,020 were exposed to custodial credit risk as there was not sufficient collateral held. The entire balance of pledged collateral of \$48,640,984 is not held in the District's name.

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. There are no Level 2 or Level 3 inputs.

As of June 30, 2017, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities Less than 1 Year
State Investment Pool - 4101 LGIP Fund (Level 1 Inputs)	27,044,951	27,044,951

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

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LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk – Investments. The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates. The District's investments were rated AAA by Moody's Investors Services and S&P and have a weighted average days to maturity (WAM) of 58 days.

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

The State Treasurer Local Government Investment Pool (Pool) is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The Pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2017. The State of New Mexico is regulatory oversight entity and participation in the Pool is voluntary.

NOTE 4 RECEIVABLES

	General	Title I IASA	Entitlement IDEA-B Fund	Debt Service	Capital Improvements HB 33	Governmental Funds	Total
Property Taxes	\$ 109,285	\$ -	\$ -	\$ 1,250,433	\$ 784,375	\$ 532,998	\$ 2,677,091
Due From Other Governments	-	2,175,515	1,632,806	-	-	3,959,486	7,767,807
Other	19,249	-	-	6,514	-	1,867	27,630
	<u>\$ 128,534</u>	<u>\$ 2,175,515</u>	<u>\$ 1,632,806</u>	<u>\$ 1,256,947</u>	<u>\$ 784,375</u>	<u>\$ 4,494,351</u>	<u>\$ 10,472,528</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, 2017**

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, 2017 consist of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
Major Funds:		
General Fund	\$ 6,340,407	\$ -
Title I IASA	-	1,871,969
IDEA - B - Entitlement Fund	-	1,422,968
Nonmajor Funds:		
Food Services Fund	-	10
Migrant Children Education IASA	-	27,907
New Mexico Autism Project	-	5,824
IDEA - B Early Intervention Services	-	22,782
Education of Homeless	-	9,477
IDEA - B Private School Share	-	1,854
English Language Acquisition	-	154,348
Teacher/Principal Training and Recruiting	-	222,455
Title I School Improvement	-	13,209
Immigrant Funding - Title III	-	53,813
Carl D Perkins Secondary - Current	-	40,474
Migrant Regional Recruiting	-	18,495
Headstart	-	408,255
Safe Routes to School NMDOT	-	9,777
Food Stamps Nutrition	-	11,603
2012 GO Bonds Student Library SB - 66	-	58,662
Teachers Hard to Staff Stipend	-	17,164
GRADS Instruction	-	7,239
GRADS PLUS	-	9,378
Capital Improvements SB - 9 State Match	-	1,952,744
Total Governmental Activities	<u>\$ 6,340,407</u>	<u>\$ 6,340,407</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	June 30, 2016	Additions	Deletions/ Transfers	June 30, 2017
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 27,545,892	\$ 27,137,212	\$ (28,964,670)	\$ 25,718,434
Art	-	20,700	-	20,700
Land	6,799,006	-	-	6,799,006
Total Capital Assets Not Being Depreciated	34,344,898	27,157,912	(28,964,670)	32,538,140
Capital Assets Used in Governmental Activities:				
Land Improvements	26,968,700	-	3,202,846	30,171,546
Buildings and Building Improvements	445,491,270	11,767	25,753,345	471,256,382
Equipment and Vehicles	25,682,406	2,066,975	(1,331,373)	26,418,008
Total Capital Assets Being Depreciated	498,142,376	2,078,742	27,624,818	527,845,936
Less Accumulated Depreciation of:				
Land and Land Improvements	10,065,594	1,427,974	-	11,493,568
Buildings and Building Improvements	127,082,104	13,038,585	(6,748)	140,113,941
Equipment and Vehicles	20,823,032	1,259,160	(1,286,158)	20,796,034
Total Accumulated Depreciation	157,970,730	15,725,719	(1,292,906)	172,403,543
Total Capital Assets	<u>\$ 374,516,544</u>	<u>\$ 13,510,935</u>	<u>\$ (46,946)</u>	<u>\$ 387,980,533</u>

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

Instruction	\$ 318,544
Support Services - Students	90,124
Support Services - Instruction	2,098
Support Services - General Administration	10,695
Support Services - School Administration	4,023
Central Services	1,592
Operations and Maintenance of Plant	4,377
Food Services	12,148
Capital Outlay	90,780
Unallocated	15,191,338
Total	<u>\$ 15,725,719</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 LONG-TERM DEBT

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Bonds Payable	\$ 110,480,000	\$ 18,055,000	\$ (10,695,000)	\$ 117,840,000	\$ 9,165,000
Unamortized Bond Premiums	2,264,586	2,054,268	(310,771)	4,008,083	-
Capital Lease	35,259,984	-	(1,612,532)	33,647,452	1,678,138
Compensated Absences	2,888,734	1,349,075	(1,267,677)	2,970,132	2,970,132
Total Long-Term Debt	<u>\$ 150,893,304</u>	<u>\$ 21,458,343</u>	<u>\$ (13,885,980)</u>	<u>\$ 158,465,667</u>	<u>\$ 13,813,270</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, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Interest	Principal	Total Debt Service
2018	\$ 4,150,938	\$ 9,165,000	\$ 13,315,938
2019	3,873,313	9,300,000	13,173,313
2020	3,583,238	8,420,000	12,003,238
2021	3,293,788	8,050,000	11,343,788
2022	2,999,213	7,305,000	10,304,213
2023-2027	10,445,550	39,120,000	49,565,550
2028-2032	3,040,094	30,700,000	33,740,094
2033-2036	189,100	5,780,000	5,969,100
Total	<u>\$ 31,575,234</u>	<u>\$ 117,840,000</u>	<u>\$ 149,415,234</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 \$8,366,667. 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.

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LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 LONG-TERM DEBT (CONTINUED)

Capital Lease (Continued)

The total remaining capital lease obligation is \$33,647,452, of which \$1,678,138 is considered current. The following represents future minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30,	Interest	Principal	Total Debt Service
2018	\$ 1,324,481	\$ 1,678,138	\$ 3,002,619
2019	1,256,146	1,746,473	3,002,619
2020	1,184,967	1,817,653	3,002,620
2021	1,110,822	1,891,797	3,002,619
2022	1,033,586	1,969,033	3,002,619
2023-2027	3,891,650	11,121,447	15,013,097
2028-2032	1,465,589	11,355,479	12,821,068
2033-2036	82,253	2,067,432	2,149,685
Total	<u>\$ 11,349,494</u>	<u>\$ 33,647,452</u>	<u>\$ 44,996,946</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, 2017, compensated absences increased \$81,398 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, 2017 was \$125,227.

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, 2017**

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, 2017, 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, 2017:

Major Funds: None
Nonmajor Funds: None

- Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2017:

Major Funds: Operational Fund 11000, Function 4000, \$558
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, 2017**

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

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

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, 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, 2017**

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. Contributions to the pension plan from the District were \$18,109,413 for the year ended June 30, 2017.

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, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016. At June 30, 2017, the district reported a liability of \$321,156,680 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, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2017, the District's proportion was 4.46272% percent, which was a decrease of 5.7% from its proportion measured as of June 30, 2016.

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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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)

For the year ended June 30, 2017, the District recognized pension expense of \$25,613,893. As of June 30, 2017, 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	\$ 1,393,297	\$ (3,054,605)
Changes of Assumptions	6,537,463	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	19,170,380	-
Changes in Proportion and Differences Between the District Contributions and Proportionate Share of Contributions	1,711,383	(12,695,819)
The District's Contributions Subsequent to the Measurement Date	18,109,413	-
Total	\$ 46,921,936	\$ (15,750,424)

\$18,109,413 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2018	\$ 1,174,328
2019	1,665,056
2020	5,547,829
2012	4,674,885
2022	-
Thereafter	-
Total	\$ 13,062,098

Actuarial Assumptions

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial Assumptions (Continued)

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on June 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

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NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial Assumptions (Continued)

Rate of Return: The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric expected rates of return for each major asset class included in the Plan's target asset allocation for 2015 and 2016 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	Expected Rate of Return <u>2015</u>	Expected Rate of Return <u>2016</u>
Cash	-0.25%	0.00%
Treasuries	0.00%	0.25%
IG Corp Credit	1.75%	1.50%
MBS	0.25%	0.50%
Core Bonds	0.64%	0.73%
TIPS	0.75%	0.75%
High Yield Bonds	2.55%	2.50%
Bank Loans	2.75%	2.75%
Global Bonds (Unhedged)	-0.50%	-1.00%
Global Bonds (Hedged)	-0.38%	-0.84%
EMD External	2.75%	2.75%
EMD Local Currency	3.25%	3.50%
Large Cap Equities	4.25%	4.25%
Small/Mid Cap	4.50%	4.50%
International Equities (Unhedged)	4.75%	4.75%
International Equities (Hedged)	5.14%	5.22%
Emerging International Equities	6.25%	6.00%
Private Equity	6.25%	6.25%
Private Debt	4.75%	4.75%
Private Real Assets	4.50%	4.50%
Real Estate	3.25%	3.25%
Commodities	3.25%	2.50%
Hedge Funds	3.25%	3.50%

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial Assumptions (Continued)

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five-year contribution history.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year 2016. In particular, the table presents the District's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
The District's Proportionate Share of the Net Pension Liability	<u>\$ 425,364,564</u>	<u>\$ 321,156,680</u>	<u>\$ 234,693,576</u>

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, 2016 and 2015 which are publicly available at www.nmerb.org.

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

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, 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, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$2,605,543, \$2,548,802, and \$2,690,534, respectively, which equal the required contributions for each year.

NOTE 12 CONTINGENT LIABILITIES

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

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits 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, 2017. The commitments, in some instances, are projected for which costs will be shared with the New Mexico Public School Facilities Authority.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 JOINT POWERS AGREEMENTS (JPA)

JPA – School Resource Officer Program

Participants	Las Cruces Public Schools No. 2 and Town of Mesilla
Responsible Party	Las Cruces Public Schools No. 2 and Town of Mesilla
Description	To encourage educational programs and activities that will increase students' knowledge of and respect for the law and the function of law enforcement
Term of Agreement	June 20, 2017 to June 30, 2018
Amount of Project	\$56,543
District Contributes	Reimbursement of actual expenditures of School Resource Officer costs, not to exceed \$56,543
Audit Responsibility	Las Cruces Public School District No. 2

NOTE 15 SUBSEQUENT EVENTS

On October 24, 2017, the District issued General Obligation School Bonds Series 2017A and 2017B. Series 2017A was issued at a par value of \$14,550,000, with a premium of \$564,309. Series 2017B was issued at a par value of \$10,460,000, with a premium of \$724,164 and will be held in escrow for the payment of interest and principal redemption of the Series 2009 Bonds.

NOTE 16 RESTATEMENT

The Statement of Net Position includes a restatement of \$4,728,174 to the beginning net position to correct 2 errors in previously reported balances. Of the restatement amount, \$2,028,174 is due to property taxes received after the period of availability were not properly recognized in the statement of activities and were classified as a liability. In addition, the District's bonds payable was overstated and incorrectly included an amount of \$2,700,000 of debt that was refunded as of June 30, 2016.

As a result of these errors, the June 30, 2016 beginning net position for governmental activities was understated by \$4,728,174.

Net Position, Beginning	\$ 4,165,591
Restatement	4,728,174
Net Position, Beginning, Restated	<u>\$ 8,893,765</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17 SUBSEQUENT PRONOUNCEMENTS

GASB has issued the following statements, which are applicable in future years. GASBS No. 75 will require the District to record its proportionate share of the unfunded New Mexico Retiree Health Care Fund plan liabilities and its single employer plan. Although the amounts are not known, the amounts are presumed to be material. For the other statements, management has not determined the impact, if any, on the District.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

This Statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

Effective Date: The provisions in Statement 81 are effective for fiscal years beginning after December 15, 2016.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement.

- Defines an irrevocable split-interest agreement as a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments.
- Requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests.
- Requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB Statement No. 82, *Pension Issues – an amendment of Statements No. 67, No. 68, and No. 73.*

Effective Date: The provisions in Statement 82 are effective for fiscal years beginning after June 15, 2017.

This Statement addresses issues regarding:

- The presentation of payroll-related measures in required supplementary information.
- Allows for selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes.
- Distinguishes classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17 SUBSEQUENT PRONOUNCEMENTS (CONTINUED)

GASB Statement No. 83, *Certain Asset Retirement Obligations.*

Effective Date: The provisions in Statement 83 are effective for fiscal years beginning after June 15, 2018.

This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB Statement No. 84, *Fiduciary Activities.*

Effective Date: The provisions in Statement 84 are effective for fiscal years beginning after December 15, 2018.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments:

- Focus of the criteria generally on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists.
- Separate criteria included to fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 85, *Omnibus 2017.*

Effective Date: The provisions in Statement 85 are effective for fiscal years beginning after June 15, 2017.

This Statement addresses a variety of topics related to practice issues identified during the implementation and application of certain GASB Statements, such as blending component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB Statement No. 86, *Certain Debt Extinguishment Issues.*

Effective Date: The provisions in Statement 86 are effective for fiscal years beginning after June 15, 2017.

The primary objective of this Statement is to improve accounting and financial reporting for in-substance defeasance of debt.

GASB Statement No. 87, *Leases.*

Effective Date: The provisions in Statement 87 are effective for fiscal years beginning after December 15, 2019.

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

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

	Measurement Date		
	June 30, 2016	June 30, 2015	June 30, 2014
The District's Proportion of the Net Pension Liability (Asset)	4.46272%	4.73255%	4.69000%
The District's Proportionate Share of the Net Pension Liability (Asset)	\$ 321,156,680	\$ 306,539,866	\$ 267,644,295
The District's Covered Payroll	\$ 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	252%	228%	207%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

	2017	2016	2015
Contractually Required Contribution	\$ 18,109,413	\$ 17,716,490	\$ 18,699,722
Contributions in Relation to the Contractually Required Contribution	\$ 18,109,413	\$ 17,716,490	\$ 18,699,722
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 130,283,545	\$ 127,456,763	\$ 134,530,374
Contributions as a Percentage of Covered Payroll	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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

Changes of Benefit Terms

The COLA and retirement eligibility benefits changes in recent years are described in the *Benefits Provided* subsection of Note 10 – Pension Plan – Educational Retirement Board.

Changes of Assumptions

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12, 2015, ERB implemented the following changes in assumptions for fiscal years 2016 and 2015.

1. Fiscal year 2015 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.25 % to 3.75%
 - b. Payroll growth will remain at 3.50%
 - c. Minor changes to demographic assumptions
 - d. Population growth per year from 0.50% to 0%

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%

See also the *Actuarial Assumptions* subsection of Note 10 – Pension Plan – Educational Retirement Board.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Special Revenue	Capital Projects	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 17,574,203	\$ 6,452,091	\$ 24,026,294
Investments	-	24,525	24,525
Accounts Receivable:			
Taxes	-	532,998	532,998
Due from Other Governments	1,793,944	2,165,542	3,959,486
Due from Other Funds	-	-	-
Other	1,850	17	1,867
Inventory	585,133	-	585,133
Total Assets	\$ 19,955,130	\$ 9,175,173	\$ 29,130,303
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts Payable	\$ 297,706	\$ 1,019,335	\$ 1,317,041
Due to Government	-	125	125
Accrued Expenses	1,059,875	-	1,059,875
Interfund Payables	1,092,726	1,952,744	3,045,470
Total Liabilities	2,450,307	2,972,204	5,422,511
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues	-	418,826	418,826
Fund Balances:			
Nonspendable	585,133	-	585,133
Restricted by Grantor	16,919,690	-	16,919,690
Restricted for Capital Projects	5,784,143	-	5,784,143
Total Fund Balance	23,288,966	-	23,288,966
Total Liabilities and Fund Balances	\$ 25,739,273	\$ 3,391,030	\$ 29,130,303

**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, 2017**

	Special Revenue	Capital Projects	Total
REVENUES			
Property Taxes	\$ -	\$ 6,331,514	\$ 6,331,514
State Grants	3,981,473	2,165,542	6,147,015
Federal Grants	21,739,210	-	21,739,210
Charges for Services	3,819,743	-	3,819,743
Miscellaneous	16,623	8,350	24,973
Local and Private Sources	1,945,021	634,858	2,579,879
Interest	13,091	22,059	35,150
Total Revenues	<u>31,515,161</u>	<u>9,162,323</u>	<u>40,677,484</u>
EXPENDITURES			
Current:			
Instruction	9,550,088	-	9,550,088
Support Services:			-
Students	3,938,831	-	3,938,831
Instruction	1,511,434	-	1,511,434
General Administration	413,509	78,154	491,663
School Administration	202,900	-	202,900
Central Services	1,222	-	1,222
Operation and Maintenance of Plant	31,165	-	31,165
Student Transportation	249,519	-	249,519
Other Support Services	-	-	-
Food Service Operations	12,890,553	-	12,890,553
Community Service	516	-	516
Facilities, Materials, and Supplies	157,469	8,973,044	9,130,513
Total Expenditures	<u>28,947,206</u>	<u>9,051,198</u>	<u>37,998,404</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,567,955	111,125	2,679,080
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	2,567,955	111,125	2,679,080
Fund Balances - Beginning of Year	<u>14,936,868</u>	<u>5,673,018</u>	<u>20,609,886</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 17,504,823</u></u>	<u><u>\$ 5,784,143</u></u>	<u><u>\$ 23,288,966</u></u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

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, 2017**

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

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

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

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

Safe Routes to School NMDOT (25146) – To account for funds administered by New Mexico Department of Transportation to promote or improve safety of walking 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 SCIAD's to students. Authorization is a grant from the Honeywell Corporation.

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

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

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

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

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

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

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

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS
JUNE 30, 2017**

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, 2017**

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, 2017**

	SPECIAL REVENUE FUNDS					
	21000	22000	23000	24103	24108	24109
	Food Services	Athletics	Non-Instructional Materials	Migrant Children Education IASA	New Mexico Autism Project	Preschool IDEA-B
ASSETS						
Cash and Cash Equivalents	\$ 7,766,452	\$ 890,925	\$ 1,234,266	\$ -	\$ -	\$ 158,938
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	-	-	-	29,576	5,824	5,875
Interfund Receivables	-	-	-	-	-	-
Other Receivables	1,850	-	-	-	-	-
Inventory	585,133	-	-	-	-	-
Total Assets	\$ 8,353,435	\$ 890,925	\$ 1,234,266	\$ 29,576	\$ 5,824	\$ 164,813
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ 85,670	\$ 140	\$ 16,518	\$ 1,340	\$ -	\$ -
Due to Government	-	-	-	-	-	-
Accrued Expenses	264,254	16,519	12,828	329	-	164,813
Interfund Payables	10	-	-	27,907	5,824	-
Total Liabilities	349,934	16,659	29,346	29,576	5,824	164,813
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	585,133	-	-	-	-	-
Restricted by Grantor	7,418,368	874,266	1,204,920	-	-	-
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	8,003,501	874,266	1,204,920	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,353,435	\$ 890,925	\$ 1,234,266	\$ 29,576	\$ 5,824	\$ 164,813

SPECIAL REVENUE FUNDS

24112	24113	24115	24118	24153	24154	24162	24163
IDEA-B Early Intervention	Education of Homeless	IDEA-B Private Schools	Fresh Fruits & Vegetables USDA	English Language Acquisition	Teacher/Principal Training & Recruiting	Title I School Improvement	Title III Immigrant Student Education Pgm.
\$ -	\$ -	\$ -	\$ 135,456	\$ 89	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
24,318	9,477	1,854	3,388	206,320	253,845	19,233	58,043
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 24,318</u>	<u>\$ 9,477</u>	<u>\$ 1,854</u>	<u>\$ 138,844</u>	<u>\$ 206,409</u>	<u>\$ 253,845</u>	<u>\$ 19,233</u>	<u>\$ 58,043</u>
\$ -	\$ -	\$ -	\$ -	\$ 50,450	\$ 6,112	\$ -	\$ 4,230
-	-	-	-	-	-	-	-
1,536	-	-	138,844	1,611	25,278	6,024	-
22,782	9,477	1,854	-	154,348	222,455	13,209	53,813
24,318	9,477	1,854	138,844	206,409	253,845	19,233	58,043
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 24,318</u>	<u>\$ 9,477</u>	<u>\$ 1,854</u>	<u>\$ 138,844</u>	<u>\$ 206,409</u>	<u>\$ 253,845</u>	<u>\$ 19,233</u>	<u>\$ 58,043</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2017**

	SPECIAL REVENUE FUNDS					
	24174	24175	24176	24180	24181	24182
	Carl D. Perkins Secondary Current	Carl D. Perkins Secondary PY Obligation	Carl D. Perkins Secondary Redistribution	Carl D. Perkins High Schools that Work - Current	Carl D. Perkins High Schools that Work - Prior Year	Carl D. Perkins High Schools that Work - Redistribution
ASSETS						
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 9,063	\$ -	\$ -
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	53,708	-	-	33,130	-	-
Interfund Receivables	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total Assets	\$ 53,708	\$ -	\$ -	\$ 42,193	\$ -	\$ -
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ 5,763	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Government	-	-	-	-	-	-
Accrued Expenses	7,471	-	-	42,193	-	-
Interfund Payables	40,474	-	-	-	-	-
Total Liabilities	53,708	-	-	42,193	-	-
	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted by Grantor	-	-	-	-	-	-
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 53,708	\$ -	\$ -	\$ 42,193	\$ -	\$ -

SPECIAL REVENUE FUNDS

24187	25127	25129	25145	25146	25150	25153	26136
Migrant Regional Recruiting	Headstart	Title XX - Health & Social Services	Impact Aid Special Education	Safe Routes to School NMDOT	Food Stamps Nutrition	Title XIX MEDICAID 3/1 Years	SCIAD
\$ -	\$ -	\$ 4,970	\$ 15,679	\$ -	\$ -	\$ 5,539,407	\$ 61
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
22,475	518,696	-	-	10,712	97,968	278,241	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 22,475</u>	<u>\$ 518,696</u>	<u>\$ 4,970</u>	<u>\$ 15,679</u>	<u>\$ 10,712</u>	<u>\$ 97,968</u>	<u>\$ 5,817,648</u>	<u>\$ 61</u>
\$ 113	\$ 15,836	\$ -	\$ -	\$ -	\$ 9,172	\$ -	\$ -
-	-	-	-	-	-	-	-
3,867	94,605	4,970	-	935	77,193	86,143	-
18,495	408,255	-	-	9,777	11,603	-	-
<u>22,475</u>	<u>518,696</u>	<u>4,970</u>	<u>-</u>	<u>10,712</u>	<u>97,968</u>	<u>86,143</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	15,679	-	-	5,731,505	61
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 22,475</u>	<u>\$ 518,696</u>	<u>\$ 4,970</u>	<u>\$ 15,679</u>	<u>\$ 10,712</u>	<u>\$ 97,968</u>	<u>\$ 5,817,648</u>	<u>\$ 61</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2017**

	SPECIAL REVENUE FUNDS					
	26141	26153	26204	27103	27107	27141
	Daniels Funds	Paseo Del Norte Health Foundation	Spaceport GRT Grant Dona Ana County	Dual Credit Instructional Materials	2012 GO Bond Public School Library	Truancy Initiative
ASSETS						
Cash and Cash Equivalents	\$ 10,947	\$ 68,647	\$ 1,640,679	\$ -	\$ -	\$ 32,980
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	58,662	51,041
Interfund Receivables	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total Assets	\$ 10,947	\$ 68,647	\$ 1,640,679	\$ -	\$ 58,662	\$ 84,021
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ -	\$ -	\$ 102,362	\$ -	\$ -	\$ -
Due to Government	-	-	-	-	-	-
Accrued Expenses	-	3,281	21,105	-	-	84,021
Interfund Payables	-	-	-	-	58,662	-
Total Liabilities	-	3,281	123,467	-	58,662	84,021
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted by Grantor	10,947	65,366	1,517,212	-	-	-
Restricted for Capital Projects	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	10,947	65,366	1,517,212	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,947	\$ 68,647	\$ 1,640,679	\$ -	\$ 58,662	\$ 84,021

SPECIAL REVENUE FUNDS

27155	27166	27183	27195	28120	28160	28189	28190
Breakfast for Elementary Students	Kindergarten Three Plus	NM Grown FVV	Teachers Hard to Staff Stipend	AFSC Local Vegetables and Fruits	Regn. Alliance Science/Eng/Math NMSU	GRADS Child Care CYFD	GRADS Instruction
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,862	\$ 803	\$ -
-	-	-	-	-	-	-	-
-	-	-	17,436	-	-	2,505	7,239
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,436</u>	<u>\$ -</u>	<u>\$ 5,862</u>	<u>\$ 3,308</u>	<u>\$ 7,239</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	272	-	-	-	-
-	-	-	17,164	-	-	-	7,239
-	-	-	17,436	-	-	-	7,239
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	5,862	3,308	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,436</u>	<u>\$ -</u>	<u>\$ 5,862</u>	<u>\$ 3,308</u>	<u>\$ 7,239</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2017**

	SPECIAL REVENUE FUNDS					
	28199	28203	29102	29130	31300	
	Safe Routes to School DOH	GRADS PLUS	Private Dir. Grants (Categorical)	School Based Health Centers	Total Special Revenue Funds	Special Capital Outlay
ASSETS						
Cash and Cash Equivalents	\$ 22,958	\$ -	\$ 22,698	\$ 13,323	\$ 17,574,203	\$ 2,661,796
Investments	-	-	-	-	-	-
Accounts Receivable:						
Taxes	-	-	-	-	-	-
Due from Other Governments	15,000	9,378	-	-	1,793,944	-
Interfund Receivables	-	-	-	-	-	-
Other Receivables	-	-	-	-	1,850	-
Inventory	-	-	-	-	585,133	-
Total Assets	\$ 37,958	\$ 9,378	\$ 22,698	\$ 13,323	\$ 19,955,130	\$ 2,661,796
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 297,706	\$ 533,804
Due to Government	-	-	-	-	-	-
Accrued Expenses	1,782	-	1	-	1,059,875	-
Interfund Payables	-	9,378	-	-	1,092,726	-
Total Liabilities	1,782	9,378	1	-	2,450,307	533,804
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	-	-	-	-	-	-
FUND BALANCES						
Nonspendable	-	-	-	-	585,133	-
Restricted by Grantor	36,176	-	22,697	13,323	16,919,690	-
Restricted for Capital Projects	-	-	-	-	-	2,127,992
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	36,176	-	22,697	13,323	17,504,823	2,127,992
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,958	\$ 9,378	\$ 22,698	\$ 13,323	\$ 19,955,130	\$ 2,661,796

CAPITAL PROJECT FUNDS

31700		31701			
Capital Improvements SB9 State Match	Capital Improvements SB9 Local Fund	Total Capital Project Funds	Total All Non-Major Funds		
\$ -	\$ 3,790,295	\$ 6,452,091	\$ 24,026,294		
-	24,525	24,525	24,525		
-	532,998	532,998	532,998		
2,165,542	-	2,165,542	3,959,486		
-	-	-	-		
17	-	17	1,867		
-	-	-	585,133		
<u>\$ 2,165,559</u>	<u>\$ 4,347,818</u>	<u>\$ 9,175,173</u>	<u>\$ 29,130,303</u>		
\$ 212,815	\$ 272,716	\$ 1,019,335	\$ 1,317,041		
-	125	125	125		
-	-	-	1,059,875		
1,952,744	-	1,952,744	3,045,470		
<u>2,165,559</u>	<u>272,841</u>	<u>2,972,204</u>	<u>5,422,511</u>		
-	418,826	418,826	418,826		
-	-	-	585,133		
-	-	-	16,919,690		
-	3,656,151	5,784,143	5,784,143		
-	-	-	-		
-	-	-	-		
<u>-</u>	<u>3,656,151</u>	<u>5,784,143</u>	<u>23,288,966</u>		
<u>\$ 2,165,559</u>	<u>\$ 4,347,818</u>	<u>\$ 9,175,173</u>	<u>\$ 29,130,303</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, 2017**

	SPECIAL REVENUE FUNDS					
	21000	22000	23000	24103	24108	24109
	Food Services	Athletics	Non-Instructional Materials	Migrant Children Education IASA	New Mexico Autism Project	Preschool IDEA-B
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-	-	-
Federal Grants	11,921,000	-	-	114,877	5,824	81,599
Charges for Services	1,763,842	495,244	1,560,657	-	-	-
Miscellaneous	-	-	16,623	-	-	-
Local and Private Sources	-	-	-	-	-	-
Interest	6,081	426	1,066	-	-	-
Total Revenues	<u>13,690,923</u>	<u>495,670</u>	<u>1,578,346</u>	<u>114,877</u>	<u>5,824</u>	<u>81,599</u>
EXPENDITURES						
Current:						
Instruction	-	428,693	1,696,983	100,050	4,186	76,902
Support Services:						
Students	-	-	-	11,866	1,638	2,818
Instruction	-	-	-	-	-	-
General Administration	249,648	-	-	2,615	-	1,879
School Administration	-	-	-	-	-	-
Central Services	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	346	-	-
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	12,176,702	-	-	-	-	-
Community Service	-	-	-	-	-	-
Facilities, Materials, and Supplies	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	<u>12,426,350</u>	<u>428,693</u>	<u>1,696,983</u>	<u>114,877</u>	<u>5,824</u>	<u>81,599</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,264,573	66,977	(118,637)	-	-	-
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	1,264,573	66,977	(118,637)	-	-	-
Fund Balances - Beginning of Year	<u>6,738,928</u>	<u>807,289</u>	<u>1,323,557</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,003,501</u>	<u>\$ 874,266</u>	<u>\$ 1,204,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SPECIAL REVENUE FUNDS

24112	24113	24115	24118	24153	24154	24162	24163
IDEA-B Early Intervention	Education of Homeless	IDEA-B Private Schools	Fresh Fruits & Vegetables USDA	English Language Acquisition	Teacher/Principal Training & Recruiting	Title I School Improvement	Title III Immigrant Student Education Pgm.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
67,072	34,987	2,289	364,204	293,717	992,599	104,747	59,564
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
67,072	34,987	2,289	364,204	293,717	992,599	104,747	59,564
5,345	16,598	2,247	-	245,418	153,967	103,803	55,021
2,253	17,583	-	-	1,274	-	-	3,458
59,474	-	-	-	11,929	815,888	-	-
-	806	42	-	4,770	22,744	944	1,085
-	-	-	-	30,326	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	364,204	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
67,072	34,987	2,289	364,204	293,717	992,599	104,747	59,564
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**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, 2017**

	SPECIAL REVENUE FUNDS					
	24174	24175	24176	24180	24181	24182
	Carl D. Perkins Secondary Current	Carl D. Perkins Secondary PY Obligation	Carl D. Perkins Secondary Redistribution	Carl D. Perkins High Schools that Work - Current	Carl D. Perkins High Schools that Work - Prior Year	Carl D. Perkins High Schools that Work - Redistribution
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	-	-	-
Federal Grants	262,700	4,376	5,596	109,542	11,905	6,094
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Local and Private Sources	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total Revenues	<u>262,700</u>	<u>4,376</u>	<u>5,596</u>	<u>109,542</u>	<u>11,905</u>	<u>6,094</u>
EXPENDITURES						
Current:						
Instruction	248,811	4,351	5,596	101,166	9,614	3,043
Support Services:						
Students	3,819	-	-	2,073	375	-
Instruction	816	25	-	-	-	-
General Administration	5,920	-	-	2,268	-	-
School Administration	2,112	-	-	4,035	1,916	3,051
Central Services	1,222	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-
Community Service	-	-	-	-	-	-
Facilities, Materials, and Supplies	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	<u>262,700</u>	<u>4,376</u>	<u>5,596</u>	<u>109,542</u>	<u>11,905</u>	<u>6,094</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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SPECIAL REVENUE FUNDS

24187	25127	25129	25145	25146	25150	25153	26136
Migrant Regional Recruiting	Headstart	Title XX - Health & Social Services	Impact Aid Special Education	Safe Routes to School NMDOT	Food Stamps Nutrition	Title XIX MEDICAID 3/1 Years	SCIAD
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
78,088	2,946,674	70,488	15,679	31,186	254,865	3,899,538	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	4,152	-
<u>78,088</u>	<u>2,946,674</u>	<u>70,488</u>	<u>15,679</u>	<u>31,186</u>	<u>254,865</u>	<u>3,903,690</u>	<u>-</u>
2,419	1,435,408	70,488	-	-	-	-	-
71,906	964,567	-	-	31,186	-	2,186,589	-
-	308,319	-	-	-	-	-	-
1,798	61,822	-	-	-	5,665	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,965	19,089	-	-	-	-	3,001	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	249,200	-	-
-	-	-	-	-	-	-	-
-	157,469	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>78,088</u>	<u>2,946,674</u>	<u>70,488</u>	<u>-</u>	<u>31,186</u>	<u>254,865</u>	<u>2,189,590</u>	<u>-</u>
-	-	-	15,679	-	-	1,714,100	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	15,679	-	-	1,714,100	-
-	-	-	-	-	-	4,017,405	61
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,731,505</u>	<u>\$ 61</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, 2017**

	SPECIAL REVENUE FUNDS					
	26141	26153	26204	27103	27107	27141
	Daniels Funds	Paseo Del Norte Health Foundation	Spaceport GRT Grant Dona Ana County	Dual Credit Instructional Materials	2012 GO Bond Public School Library	Truancy Initiative
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	-	-	-	98,543	61,698	426,000
Federal Grants	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Local and Private Sources	24,000	297,256	1,618,765	-	-	-
Interest	-	-	1,366	-	-	-
Total Revenues	<u>24,000</u>	<u>297,256</u>	<u>1,620,131</u>	<u>98,543</u>	<u>61,698</u>	<u>426,000</u>
EXPENDITURES						
Current:						
Instruction	-	199,822	1,837,584	98,543	-	-
Support Services:						
Students	12,537	30,231	-	-	-	426,000
Instruction	-	-	201,844	-	61,698	-
General Administration	-	5,511	45,992	-	-	-
School Administration	-	-	-	-	-	-
Central Services	-	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-
Community Service	516	-	-	-	-	-
Facilities, Materials, and Supplies	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	<u>13,053</u>	<u>235,564</u>	<u>2,085,420</u>	<u>98,543</u>	<u>61,698</u>	<u>426,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,947	61,692	(465,289)	-	-	-
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	10,947	61,692	(465,289)	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>3,674</u>	<u>1,982,501</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 10,947</u>	<u>\$ 65,366</u>	<u>\$ 1,517,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SPECIAL REVENUE FUNDS

27155	27166	27183	27195	28120	28160	28189	28190
Breakfast for Elementary Students	Kindergarten Three Plus	NM Grown FVV	Teachers Hard to Staff Stipend	AFSC Local Vegetables and Fruits	Regn. Alliance Science/Eng/Math NMSU	GRADS Child Care CYFD	GRADS Instruction
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
74,069	3,156,709	19,734	34,879	6,644	-	12,777	19,862
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
74,069	3,156,709	19,734	34,879	6,644	-	12,777	19,862
-	2,557,904	-	34,879	-	-	9,469	19,862
-	134,115	-	-	-	-	-	-
-	46,947	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	161,460	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	6,764	-	-	-	-	-	-
-	249,519	-	-	-	-	-	-
74,069	-	19,734	-	6,644	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
74,069	3,156,709	19,734	34,879	6,644	-	9,469	19,862
-	-	-	-	-	-	3,308	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,308	-
-	-	-	-	-	5,862	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,862	\$ 3,308	\$ -

**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, 2017**

	SPECIAL REVENUE FUNDS					31300
	28199	28203	29102	29130	Total Special Revenue Funds	
	Safe Routes to School DOH	GRADS PLUS	Private Dir. Grants (Categorical)	School Based Health Centers		
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Grants	50,000	20,558	-	-	3,981,473	-
Federal Grants	-	-	-	-	21,739,210	-
Charges for Services	-	-	-	-	3,819,743	-
Miscellaneous	-	-	-	-	16,623	8,350
Local and Private Sources	-	-	5,000	-	1,945,021	634,858
Interest	-	-	-	-	13,091	11,921
Total Revenues	<u>50,000</u>	<u>20,558</u>	<u>5,000</u>	<u>-</u>	<u>31,515,161</u>	<u>655,129</u>
EXPENDITURES						
Current:						
Instruction	-	16,939	4,977	-	9,550,088	-
Support Services:						
Students	24,567	3,619	-	6,357	3,938,831	-
Instruction	-	-	4,494	-	1,511,434	-
General Administration	-	-	-	-	413,509	-
School Administration	-	-	-	-	202,900	-
Central Services	-	-	-	-	1,222	-
Operation and Maintenance of Plant	-	-	-	-	31,165	-
Student Transportation	-	-	-	-	249,519	-
Other Support Services	-	-	-	-	-	-
Food Service Operations	-	-	-	-	12,890,553	-
Community Service	-	-	-	-	516	-
Facilities, Materials, and Supplies	-	-	-	-	157,469	909,956
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
Total Expenditures	<u>24,567</u>	<u>20,558</u>	<u>9,471</u>	<u>6,357</u>	<u>28,947,206</u>	<u>909,956</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	25,433	-	(4,471)	(6,357)	2,567,955	(254,827)
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	25,433	-	(4,471)	(6,357)	2,567,955	(254,827)
Fund Balances - Beginning of Year	<u>10,743</u>	<u>-</u>	<u>27,168</u>	<u>19,680</u>	<u>14,936,868</u>	<u>2,382,819</u>
FUND BALANCES - END OF YEAR	<u>\$ 36,176</u>	<u>\$ -</u>	<u>\$ 22,697</u>	<u>\$ 13,323</u>	<u>\$ 17,504,823</u>	<u>\$ 2,127,992</u>

CAPITAL PROJECT FUNDS

31700		31701			
Capital Improvements SB9 State Match	Capital Improvements SB9 Local Fund	Total Capital Project Funds		Total All Non-Major Funds	
\$ -	\$ 6,331,514	\$ 6,331,514		\$ 6,331,514	
2,165,542	-	2,165,542		6,147,015	
-	-	-		21,739,210	
-	-	-		3,819,743	
-	-	8,350		24,973	
-	-	634,858		2,579,879	
17	10,121	22,059		35,150	
<u>2,165,559</u>	<u>6,341,635</u>	<u>9,162,323</u>		<u>40,677,484</u>	
-	-	-		9,550,088	
-	-	-		3,938,831	
-	-	-		1,511,434	
-	78,154	78,154		491,663	
-	-	-		202,900	
-	-	-		1,222	
-	-	-		31,165	
-	-	-		249,519	
-	-	-		-	
-	-	-		12,890,553	
-	-	-		516	
2,165,559	5,897,529	8,973,044		9,130,513	
-	-	-		-	
-	-	-		-	
-	-	-		-	
<u>2,165,559</u>	<u>5,975,683</u>	<u>9,051,198</u>		<u>37,998,404</u>	
-	365,952	-		2,567,955	
-	-	-		-	
-	-	-		-	
-	-	-		-	
-	365,952	111,125		2,679,080	
-	3,290,199	5,673,018		20,609,886	
<u>\$ -</u>	<u>\$ 3,656,151</u>	<u>\$ 5,784,143</u>		<u>\$ 23,288,966</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, 2017**

	Balance June 30, 2016	Additions	Deletions	Adjustments/ Transfers	June 30, June 30, 2017
Alameda Elementary	\$ 47	\$ 28,298	\$ 20,804	\$ -	\$ 7,541
BT Washington Elementary	24	150	-	-	174
Cesar Chavez	2,058	-	299	-	1,759
Columbia Elementary	479	10	-	-	489
Conlee Elementary	15,673	15,244	22,083	-	8,834
Dona Ana Elementary	69	1,362	549	-	882
Desert Hills Elementary	13,688	11,992	11,560	-	14,120
East Picacho Elementary	32,108	26,698	17,673	-	41,133
Fairacres Elementary	10,510	10,760	10,641	-	10,629
Hermosa Height Elementary	531	2,455	1,978	-	1,009
Highland Elementary	1,818	2,230	2,454	-	1,594
Hillrise Elementary	825	-	-	-	825
Jornada Elementary	6,163	375	3,865	-	2,673
Loma Heights Elementary	507	-	-	-	507
MacArthur Elementary	185	56	77	-	164
Mesilla Elementary	1,747	638	212	-	2,173
Mesilla Park Elementary	19	-	-	-	19
Monte Vista Elementary	158	-	-	-	158
Sunrise Elementary	226	-	-	-	226
Tombaugh Elementary	2,014	2,256	2,357	-	1,913
University Hills Elementary	327	149	23	-	453
White Sands Elem/Mid	3,476	9,085	6,718	-	5,843
Lynn Mid School	35,793	150,274	142,478	-	43,589
Picacho Mid School	16,768	15,956	16,742	-	15,982
Sierra Mid School	38,932	55,966	45,607	-	49,291
Vista Mid School	4,563	26,177	30,675	-	64
Zia Mid School	2,871	10,250	9,356	-	3,765
Camino Real Mid School	24,488	83,070	81,754	-	25,804
Mesa Mid School	2,372	24,988	25,157	-	2,203
Centennial High School	39,461	169,030	153,045	-	55,446
Las Cruces High School	97,560	189,417	186,915	-	100,062
Mayfield High School	134,621	122,589	126,455	-	130,755
Ocate High School	70,110	87,539	104,188	-	53,461
San Adres High School	(26)	25,870	20,553	-	5,291
Early College High School	50,347	91,927	105,092	-	37,181
District	255,907	12,543	103,808	-	164,642
Expendable Trust	4,450	10,003	9,039	-	5,415
Non-Expendable Trust	500	-	-	-	500
Certificates of Deposit	5,100	1	-	-	5,101
Total Assets	\$ 876,469	\$ 1,187,357	\$ 1,262,158	\$ -	\$ 801,668
Liabilities - Funds Held for the Benefit of Others*					\$ 801,668

* 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, 2017**

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Face Value or Fair Market Value
<u>First American Bank</u>				
	FHLB	8/1/2019	257584AK8	\$ 180,520
	FHLB	8/1/2021	883005CH1	<u>85,278</u>
Location of Safekeeper: 303 W. Main St., Artesia, NM 88210		Total First American Bank		265,798
<u>Citizens Bank of Las Cruces</u>				
	FHLB	11/17/2017	3133XMQ87	2,030,730
	FHLB	12/20/2017	3135G0RT2	1,996,664
	FNMA	6/8/2018	3133XRFZ8	2,145,919
	FHLB	8/15/2018	3133X0PF0	2,092,390
	FHLB	8/15/2018	3133X0PF0	2,714,876
	FHLB	12/14/2018	3133XSUN6	2,072,392
	FHLB	12/11/2020	3133XDVS7	1,987,696
	FHLB	1/6/2021	3133ECNP5	2,047,592
	FFCB	3/12/2021	3130A0XD7	1,576,038
	FHLB	9/10/2021	313383ZU8	2,846,263
	FHLB	12/10/2021	3130A0EN6	1,047,172
	FHLB	2/28/2022	313382CK7	2,545,153
	FHLB	3/13/2026	313378CR0	2,044,672
	FHLB	9/11/2026	3130A2VE3	<u>2,085,156</u>
Location of Safekeeper: P.O. Box 2018, Las Cruces, NM 88004		Total Citizens Bank of Las Cruces		29,232,713
<u>US Bank</u>				
	Letter of Credit	7/3/2017	522,567	<u>3,500,000</u>
Location of Safekeeper: 221 E. 4th Street, Cincinnati, OH 45202		Total US Bank		3,500,000
<u>Wells Fargo Bank</u>				
	FNMA	3/1/2043	3138W4Z46	14,245,463
	FNMA	7/2/2022	31417CRT4	<u>1,397,010</u>
Location of Safekeeper: One Wall Street, New York, NY 10286		Total Wells Fargo Bank		<u>15,642,473</u>
			Total	<u>\$ 48,640,984</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, 2017**

Bank Account Type	Bank of America	Wells Fargo Bank	Citizens	US Bank	First American Bank	Total
Checking - Accounts Payable Clearing	\$ -	\$ 1,888,461	\$ -	\$ -	\$ -	\$ 1,888,461
Checking - Payroll Clearing	-	14,251,441	-	-	-	14,251,441
Certificate of Deposit	5,101	-	-	-	-	5,101
Checking - Food Service	-	-	7,503,593	-	-	7,503,593
Checking - Operational Account	-	-	1,300,965	-	-	1,300,965
Checking - Bond Building Account	-	-	23,268,228	-	-	23,268,228
Certificate of Deposit	-	-	-	-	-	-
Certificate of Deposit	-	-	-	-	-	-
Checking - Debt Service	-	-	-	829,754	-	829,754
Checking - Activity	-	-	-	1,525,549	-	1,525,549
Checking - Activity Investment	-	-	-	1,212,636	-	1,212,636
Checking - Federal Programs Direct Account	-	-	-	-	80,292	80,292
Total on Deposit	5,101	16,139,902	32,072,786	3,567,939	80,292	51,866,020
Reconciling Items	-	(16,139,902)	12,372,737	103,277	-	(3,663,888)
Reconciled Balance - June 30, 2017	<u>\$ 5,101</u>	<u>\$ -</u>	<u>\$ 44,445,523</u>	<u>\$ 3,671,216</u>	<u>\$ 80,292</u>	48,202,132
Investments with State of New Mexico Treasurer's Office						27,044,951
Plus: Petty Cash						-
Plus: Cash with Fiscal Agent						61,243
Subtotal						<u>75,308,326</u>
Less: Fiduciary Funds Cash						<u>(801,668)</u>
Cash and Investments per Government-Wide Financial Statements						<u>\$ 74,506,658</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, 2017**

	Operational Account 11000	Pupil Transportation 13000	Instructional Materials 14000	Food Services 21000	Athletics Fund 22000	Student Activity 23000	Projects Account 24000	Direct Account 25000	Grants Fund 26000
June 30, 2016 Cash Available to Budget	\$ 10,587,798	\$ -	\$ 768,794	\$ 6,419,377	\$ 807,290	\$ 1,341,625	\$ (5,456,365)	\$ 3,151,423	\$ 2,036,568
2016-2017 Revenue	178,898,439	3,434,282	1,712,123	12,850,003	495,670	1,578,346	16,308,105	7,186,406	1,913,058
2016-2017 Expenditures	(177,634,265)	(3,434,282)	(1,899,631)	(11,765,454)	(428,585)	(1,698,533)	(15,313,302)	(5,471,254)	(2,243,460)
Permanent Cash Transfers/Reversions	-	-	(193,733)	-	-	-	-	-	(10,218)
Adjustments	-	-	-	-	-	-	-	-	-
June 30, 2017 Cash Available to Budget	11,851,972	-	387,553	7,503,926	874,375	1,221,438	(4,461,562)	4,866,575	1,695,948
June 30, 2017 Payroll Liabilities	10,940,433	-	-	264,366	16,550	12,828	899,477	263,846	24,386
June 30, 2017 Temporary Interfund Loans	(6,340,407)	-	-	10	-	-	3,865,575	429,635	-
June 30, 2017 Adjustments/Reconciling Differences	(2,772)	-	-	(1,850)	-	-	56	-	-
June 30, 2017 Cash (Book Balance)	<u>\$ 16,449,226</u>	<u>\$ -</u>	<u>\$ 387,553</u>	<u>\$ 7,766,452</u>	<u>\$ 890,925</u>	<u>\$ 1,234,266</u>	<u>\$ 303,546</u>	<u>\$ 5,560,056</u>	<u>\$ 1,720,334</u>
Reconciliation to PED Cash Report Line 7									
June 30, 2017 Cash (Book Balance)	\$ 16,449,226	\$ -	\$ 387,553	\$ 7,766,452	\$ 890,925	\$ 1,234,266	\$ 303,546	\$ 5,560,056	\$ 1,720,334
June 30, 2017 Payroll Liabilities	(10,940,433)	-	-	(264,366)	(16,550)	(12,828)	(899,477)	(263,846)	(24,386)
June 30, 2017 Temporary Interfund Loans	6,340,407	-	-	(10)	-	-	(3,865,575)	(429,635)	-
Audit adjustments and reclassifications	2,888	-	-	1,721	32	1,514	(95)	10	(1,514)
Line 7 PED Cash Report June 30, 2017 *	<u>\$ 11,852,088</u>	<u>\$ -</u>	<u>\$ 387,553</u>	<u>\$ 7,503,797</u>	<u>\$ 874,407</u>	<u>\$ 1,222,952</u>	<u>\$ (4,461,601)</u>	<u>\$ 4,866,585</u>	<u>\$ 1,694,434</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)
YEAR ENDED JUNE 30, 2017**

State Flowthrough Fund 27000	State Direct Account 28000	Local/State Account 29000	Bond Building Fund 31100	Special Capital Outlay 31300	Capital Improve. HB 33 31600	Debt Service 41000	Capital Improve. State SB9 31700	Capital Improve. Local SB9 31701	Total Primary Government
\$ (229,944)	\$ 24,728	\$ 46,851	\$ 9,600,204	\$ 2,382,819	\$ 8,917,262	\$ 11,247,204	\$ 1,826,157	\$ -	\$ 53,471,790
3,974,436	67,595	5,000	20,154,962	655,129	11,570,753	18,259,846	7,343	7,818,225	286,889,721
(3,871,632)	(81,100)	(15,828)	(23,133,181)	(376,152)	(8,341,121)	(14,656,870)	(1,952,744)	(5,836,905)	(278,154,299)
-	-	-	-	-	-	-	(1,833,500)	1,833,500	(203,951)
-	-	-	-	-	-	-	-	-	-
(127,140)	11,223	36,023	6,621,985	2,661,796	12,146,894	14,850,180	(1,952,744)	3,814,820	62,003,262
84,293	1,782	-	-	-	-	-	-	-	12,507,961
75,826	16,617	-	-	-	-	-	1,952,744	-	-
1	1	(2)	1	-	-	-	-	-	(4,565)
\$ 32,980	\$ 29,623	\$ 36,021	\$ 6,621,986	\$ 2,661,796	\$ 12,146,894	\$ 14,850,180	\$ -	\$ 3,814,820	\$ 74,506,658
\$ 32,980	\$ 29,623	\$ 36,021	\$ 6,621,986	\$ 2,661,796	\$ 12,146,894	\$ 14,850,180	\$ -	\$ 3,814,820	\$ 74,506,658
(84,293)	(1,782)	-	-	-	-	-	-	-	(12,507,961)
(75,826)	(16,617)	-	-	-	-	-	(1,952,744)	-	-
-	-	-	-	-	-	-	-	-	4,556
\$ (127,139)	\$ 11,224	\$ 36,021	\$ 6,621,986	\$ 2,661,796	\$ 12,146,894	\$ 14,850,180	\$ (1,952,744)	\$ 3,814,820	\$ 62,003,253

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Participating Expenditures
U.S. Department of Health and Human Services			
Direct U.S. Department of Health and Human Services			
Head Start	83.600	25127	<u>\$ 2,946,674</u>
Total U.S. Department of Health and Human Services			2,946,674
U.S. Department of Education			
Pass-Through State of New Mexico Department of Education:			
Special Education - Grants to States	84.027	24106	5,676,384
Special Education - Grants to States	84.027	24112	67,072
Special Education - Grants to States	84.027	24108	5,824
IDEA Private School Share	84.027	24115	<u>2,289</u>
Total Special Education - Grants to States			5,751,569
Special Education - Preschool Grants:			
Total Special Education Cluster (IDEA)	84.173	24109	<u>81,599</u> 5,833,168
Title I Grants to Local Educational Agencies	84.010	24101	7,111,012
Title I Grants to Local Educational Agencies	84.010	24162	<u>104,747</u>
Total Title I Grants to Local Educational Agencies			7,215,759
Migrant Education - State Grant Program	84.011	24103	114,877
Migrant Education - State Grant Program	84.011	24187	<u>78,088</u>
Total Migrant Education - State Grant Program			192,965
Career and Technical Education - Basic Grants to States	84.048	24174	262,700
Career and Technical Education - Basic Grants to States	84.048	24175	4,376
Career and Technical Education - Basic Grants to States	84.048	24176	5,596
Career and Technical Education - Basic Grants to States	84.048	24180	109,542
Career and Technical Education - Basic Grants to States	84.048	24181	17,868
Career and Technical Education - Basic Grants to States	84.048	24182	<u>131</u>
Total Career and Technical Education - Basic Grants to States			400,213
Education for Homeless Children and Youth	84.196	24113	34,987
Twenty-First Century Community Learning Centers	84.287	24119	-
English Language Acquisition State Grants	84.365	24153	293,717
Title III Immigrant Proposal (English Language Acquisition)	84.365	24163	59,564
Improving Teacher Quality State Grants	84.367	24154	992,599
Impact Aid Special Education	84.041	25145	<u>15,679</u>
Total U.S. Department of Education			15,038,651
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	<u>31,186</u>
Total U.S. Department of Transportation			31,186

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Grantor Pass-Through Grantor Number	Federal Participating Expenditures
U.S. Department of Agriculture			
Pass-Through State of New Mexico Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	21000	\$ 3,923,456
National School Lunch Program	10.555	21000	7,156,624
Pass-Through State of New Mexico Human Services Department:			
Food Distribution Cluster:			
Commodity Supplemental Food Program	10.565		840,920
Total Child Nutrition Cluster			<u>11,921,000</u>
Fresh Fruit and Vegetable Program	10.582	24118	364,204
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition	10.561	25150	254,865
Pass-Through State of New Mexico Children, Youth, and Families Dept.:			
Child and Adult Care Food Program	10.558	25129	<u>70,488</u>
Total U.S. Department of Agriculture			<u>12,610,557</u>
Total Federal Assistance			<u>\$ 30,627,068</u>

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

Total Federal Awards Expended per Schedule of Expenditures of Federal Awards	\$ 30,627,068
Total Expenditures Funded by Other Sources	<u>251,070,470</u>
Total Expenditures, Governmental Funds	<u>\$ 281,697,538</u>

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. SUBRECIPIENTS

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



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

Board of Education
State of New Mexico
Las Cruces Public School District No. 2 and
Mr. Timothy Keller, 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. (2017-001)

Board of Education
State of New Mexico
Las Cruces Public School District No. 2 and
Mr. Timothy Keller, 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 2017-002, 2017-003, 2017-004, 2017-005, and 2017-006.

The District's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 15, 2017



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

Board of Education
State of New Mexico
Las Cruces Public School District No. 2
and Mr. Timothy Keller
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, 2017. 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, 2017.

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

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 15, 2017

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

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? X yes no
 - Significant deficiency(ies) identified? yes X 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? yes X 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)? yes X no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
84.367	Supporting Effective Instruction State Grant
84.IDEA	Special Education - IDEA
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs: \$ 918,812

Auditee qualified as low-risk auditee? X yes no

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

2017-001 Internal Control over Financial Reporting (Material Weakness)

Condition: During our audit we noted the following issues related to the District's internal control over financial reporting:

- During our testing over the District's property tax revenue and related accounts receivable, we noted \$2,028,174 of the District's accounts receivable balance was incorrectly classified as a liability as of June 30, 2016 in the statement of net position instead of being recognized as revenue on the statement of activities. This amount classified as a liability was related to the portion of the District's accounts receivable that was not received within the period of availability (60 days), which should have classified as a deferred inflow of resources on the balance sheet of the fund financial statements (modified accrual) and then should be recognized as revenue on the statement of activities in the government wide financial statements (full accrual). The correction of this error resulted in a restatement to beginning net position in the amount of \$2,028,174.
- During our testing over the District's bonds payable, we noted \$2,700,000 in debt that was refunded as of June 30, 2016, however the District's bond payable as of June 30, 2016 was not properly reduced by this amount. The correction of this error resulted in a restatement to beginning net position in the amount of \$2,700,000.

Criteria or specific requirement: Per GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available for government-mandated and voluntary non-exchange transactions. "Available" means that the government has collected the revenues in the current period or expects to collect them soon enough after the end of the period to use them to pay liabilities of the current period. In addition, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded 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 financial statements in accordance with GAAP.

Effect: Restatement to beginning net position of \$4,728,174.

Cause: The District did not have sufficient internal controls over financial reporting to identify this error in the presentation of its full accrual financial statements resulting in the current year restatement.

Auditor's Recommendation: We recommend management establish a formal procedure to review financial statements.

Management's Response: Management will assure the accuracy of the information when reviewing the draft financials. Draft financial statements will also be review by the financial leadership team in coordination with external auditors for accuracy and implementation of applicable reporting standards.

Estimated Implementation: Fiscal Year 2017-2018

Person Responsible: Edward Ellison, Interim CFO

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs

None.

Section IV – Other Findings

2017-002 Payroll (Compliance and Other Matters)

Condition: During our test work over payroll, we identified the following issues.

- We were made aware of a payroll overpayment in the amount of \$30,373.92 as of June 30, 2017 made to one employee in error. The error was related to an employee being improperly classified as a contractual employee in the payroll system, instead of the correct classification of hourly. The employee notified the District in July 2017 over the overpayment and the overpayment was returned to the District.
- We identified one employee that was hired by the District that did not have a completed background check prior to the start of employment.

Criteria: Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintain strict internal controls, close supervision, and financial accounting in accordance with GAAP. Per NMSA 22-10A-5, the District shall develop policies and procedures to require background checks on an applicant who has been offered employment.

Cause: Error in employee classification, established payroll review procedures occurred before error was made and management oversight.

Effect: Payroll overpayment and noncompliance with state statute.

Auditor's Recommendation: We recommend management review changes or updates made to employee classifications and establish procedures to ensure background checks are completed for all applicable employees.

Management's Response: Management has requested from Financial Systems administrator, an email alert generated from Payroll system security change logs. The email alert will be sent to the Assistant Controller in Payroll, in the event a contractual position duplicate is created indicating the user id. The Assistant Controller will continue to monitor semi-monthly gross pay over \$3,300 prior to processing payroll. An additional review will be implemented on the same day payroll is processed to audit Semi-Monthly gross pay over \$3300 threshold. The oversight will be done by Assistant Controller who oversees Payroll.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other Findings (Continued)

2017-002 Payroll (Compliance and Other Matters) (Continued)

During the time this employee was hired as a substitute, our procedure was that all teachers and/or educational assistants who retired from our district and had no break in service, was not required to do another background. Since then, the District's procedure has changed and all applicants must go through a background check before starting any employment with Las Cruces Public Schools regardless if there's a break in service.

Estimated Implementation: Fiscal year 2017-2018.

Person Responsible: Dr. Miguel Serrano, Chief Human Resource Officer

2017-003 IT General Controls (Original Finding #2011-001) (Compliance and Other Matters) (Repeated)

Condition: During our review of surrounding IT general controls that are significant to financial reporting, we noted the following:

- The District does not review security logs on a regular basis. In addition, no penetration testing has been ever completed.
- The District does not have established policies and procedures to remove system access for terminated employees in a timely manner.

Management's Progress for Repeat Findings: The district is evaluating solutions and staffing needs to address these issues. Security logs are currently reviewed on an as needed basis when deemed necessary by the District's systems administrators

Criteria: Framework DS5 (Ensure System Security) provides that the need to maintain integrity of information and protect IT assets requires a security management process. This process includes establishing and 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.

Cause: Lack of formal policies and resources.

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

Auditor's Recommendation: We recommend management review security logs on a regular basis and remove access to terminated employees in a timely manner.

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other Findings (Continued)

2017-003 IT General Controls (Original Finding #2011-001) (Compliance and Other Matters) (Repeated) (Continued)

Management's Response: Our Technology department is exploring implementation of system monitoring and tracking solutions to immediately identify any anomalies as they occur. The district has also formed a security committee that is tasked with implementing different policies regarding physical and IT security. This policy is being addressed in this committee.

Estimated Implementation: By the end of Fiscal Year 2018-2019

Person Responsible: Matthew Dawkins, Director of Information Technology

2017-004 Final Payment Prior to Report Release Date (Compliance and Other Matters)

Condition: During testing of cash disbursements it was identified that the District made the final payment for its 2016 financial statement audit to the predecessor independent public accounting firm in December 2016, prior to the State Auditor release date of January 19, 2017.

Criteria: Per Section 12-6-14B NMSA 1978, final payment to the IPA by the agency prior to review and release of the audit report by the state auditor is considered a violation of 12-6-14 NMSA 1978 and this rule and shall be reported as an audit finding in the audit report of the agency.

Cause: Invoice was received prior to State Audit relate of the fiscal year 2016 audit and management oversight.

Effect: Noncompliance with state statute.

Auditor's Recommendation: We recommend management implement a procedure to ensure the final audit payment does not occur before the audit report release date.

Management's Response: Management has communicated to the Accounts Payable department of the rule on the final payment to the IPA. Management will be sure to sign off on the final invoice only after the State Auditor release of the audit report.

Estimated Implementation: Fiscal year 2017-2018

Person Responsible: Edward Ellison, Interim CFO

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other Findings (Continued)

2017-005 Timely Cash Deposits (Compliance and Other Matters)

Condition: During our testing of cash receipts, we encountered 1 out of 22 receipts, totaling \$46, which was not deposited within 24-hours of receipt.

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

Cause: Management oversight.

Effect: Noncompliance with state statute.

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

Management's Response: Management will send out quarterly reminders to all those handling deposits regarding the 24 hour deposit rule. Internal Audits will be done more frequently to monitor and review that money is being deposited within 24 hours of receipt.

Estimated Implementation: Fiscal year 2017-2018

Person Responsible: Edward Ellison, Interim CFO

2017-006 – Budgetary Conditions (Compliance and Other Matters)

Condition: Condition: During our audit, we noted the District had an expenditure function where actual expenditures exceeded budgetary authority:

Fund 11000 (Function 4000) - \$558

Criteria: Sound financial management and 6.20.2.9 (A) NMAC and 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts, the function is the legal level of control.

Cause: A reconciliation was not performed between the financial and budget system.

Effect: Over expenditure of budget and noncompliance with state statute.

Auditor's Recommendation: We recommend management compare the financial and budget system on a regular basis and prepare budget adjustments accordingly.

Management's Response: Management had made the transfer within the financial system; however, it did not get processed through OBMS. Management will verify that the Districts financial system budget does align with OBMS on a quarterly basis.

Estimated Implementation: Fiscal year 2017-2018

Person Responsible: Edward Ellison, Interim CFO

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

FINDINGS—FINANCIAL STATEMENT AUDIT

2011-001 IT General Controls (Non-Compliance and Other Matters - Repeated and Modified

2015-002 Violation of Open Meeting Act (Findings that do not rise to the level of significant deficiency) – Corrective Action Taken

2016-001 Construction Progress Costs (Control Deficiency and Significant Deficiency) – Corrective Action Taken

2016-002 Monitoring of Grant Expenses (Findings that do not rise to the level of significant deficiency) – Corrective Action Taken

2016-003 Card Testing (Findings that do not rise to the level of significant deficiency) – Corrective Action Taken

2016-004 Criminal Violations (Findings that do not rise to the level of significant deficiency) – Corrective Action Taken

**STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2
EXIT CONFERENCE
JUNE 30, 2017**

An exit conference was held with the District on November 9, 2017. The conference was held at the District's offices in Las Cruces, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2

Ed Ellison, Interim CFO
Will A. Manning, Director of Purchasing
Melissa Zuniga, Controller
Sylvia Martinez, Finance – Assistant Controller
Veronica Moreno, Assistant Controller - Payroll
Ed Frank, Vice President, LCPS School Board
Maury Castro, LCPS Member
Patricia Johnson, Audit Committee Member

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA, Engagement Principal
Victor Kraft, CPA, CGFM, CFE, Engagement Manager
Elizabeth Nunez, CPA, Senior Associate

PREPARATION OF FINANCIAL STATEMENTS

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