

NOTICE

CARLSBAD MUNICIPAL SCHOOL DISTRICT
Eddy County, New Mexico
General Obligation Bonds
Series 2016

Preliminary Official Statement, subject to completion,
dated January 7, 2016

The Preliminary Official Statement, dated January 7, 2016 relating to the above-described bonds (the "Bonds") of the Carlsbad Municipal School District (the "Issuer"), has been posted on the internet as a matter of convenience. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat XI). Although this format should replicate the Preliminary Official Statement available from the Issuer, its appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat XI may cause the Preliminary Official Statement that you view or print to differ in format from the Preliminary Official Statement.

The Preliminary Official Statement and the information contained therein are subject to completion or amendment or other change without notice. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

For purposes of Rule 15c2-12 promulgated by the United States Securities and Exchange Commission, the Preliminary Official Statement alone, and no other document or information on the internet, constitutes the "Official Statement" that the Issuer has deemed "final" as of its date in respect of the Bonds, except for certain pertinent information permitted to be omitted therefrom.

No person has been authorized to give any information or to make any representations other than those contained in the Preliminary Official Statement in connection with the offer and sale of the Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized. The information and expressions of opinion in the Preliminary Official Statement are subject to change without notice and neither the delivery of the Official Statement nor any sale made thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of the Preliminary Official Statement.

By choosing to proceed and view the electronic version of the Preliminary Official Statement, you acknowledge that you have read and understood this Notice.

Preliminary Official Statement dated January 7, 2016

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 7, 2016

\$30,000,000 CARLSBAD MUNICIPAL SCHOOL DISTRICT Eddy County, New Mexico General Obligation School Building Bonds Series 2016

NEW ISSUE

Book-Entry Only

Moody's Rating: Aa3 Underlying (Aa1 Enhanced)

PURPOSES	The District has an on-going school building and renovation program. Proceeds of the Bonds will be used to erect, remodel, make additions to and furnish school buildings within the district, to purchase or improve school grounds, to purchase computer software and hardware for student use in public schools, and to provide matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act.
THE BONDS	The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry-only form, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each August 1 and February 1, commencing August 1, 2016. As long as DTC or its nominee is the registered owners of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants is the responsibility of DTC. See "The Bonds - Book-Entry Only System". BOKF, N.A., Albuquerque, New Mexico (or successor in function) is the Registrar and Paying Agent for the Bonds.
OPTIONAL REDEMPTION	The Series 2016 Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS."
SECURITY	The Bonds are general obligations of the Carlsbad Municipal School District, Eddy County, New Mexico, payable solely out of general ad valorem (property) taxes which are required to be levied against all taxable property in the District without limitation as to rate or amount.
BOND AND TAX OPINION	In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing law and assuming continuous compliance with certain covenants in the documents relating to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, (the "Code") interest on the Bonds is excluded from gross income for federal income tax purposes, and the interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings. Bond Counsel is further of the opinion that interest on the Bonds is excluded from net income for purposes of certain New Mexico taxes imposed on individuals, estates, trusts and corporations. Bond Counsel expresses no opinion regarding other federal income tax consequences relating to the accrual or receipt of interest on the Bonds.
DELIVERY	When, as and if issued, through DTC's facilities, on or about February 24, 2016.
DATED DATE	Date of delivery February 24, 2016.
DUE DATE	August 1, as shown below:

Year Maturing (Aug. 1)	Principal	Interest Rate	Yield or Price	Cusip # 142735	Year Maturing (Aug. 1)	Principal	Interest Rate	Yield or Price	Cusip # 142735
2016	\$1,500,000				2023	\$1,750,000			
2017	4,000,000				2024	1,750,000			
2018	4,265,000				2025	1,750,000			
2019	1,750,000				2026	1,750,000			
2020	1,750,000				2027	1,500,000			
2021	1,750,000				2028	2,500,000			
2022	1,750,000				2029	2,235,000			

Electronic bids will be opened at 10:00 AM, prevailing Mountain Time, January 19, 2016
See "Notice of Bond Sale" enclosed

CARLSBAD MUNICIPAL SCHOOL DISTRICT
Eddy County, New Mexico
408 N. Canyon Street
Carlsbad, New Mexico 88220
(505) 234-3300

BOARD OF EDUCATION

President - Abel Montoya
Vice-President - Andrew Harris
Secretary - Dr. Doris Bruton Carelton
Member - Ron Singleton
Member - Steve West

DISTRICT ADMINISTRATION

Superintendent - Gary Perkowski
Director of Finance - Laura Garcia

FINANCIAL CONSULTANT

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

BOND COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 Fourth Street NW, Suite 1100
Bank of America Centre
Albuquerque, New Mexico 87102
(505) 848-1800

PAYING AGENT/REGISTRAR

BOKF, N.A.
Corporate Trust Group
100 Sun Avenue NE, Suite 500
Albuquerque, NM 87109

ELECTRONIC BID PROVIDER

i-Deal BidComp/Parity
1359 Broadway, 2nd Floor
New York, New York 10018
(212) 849-5021

A Few Words About Official Statements

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

MARKET STABILIZATION

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

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

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

Bond Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico was not requested and did not take part in the preparation of the Official Statement nor has this firm undertaken to independently verify any of the information contained herein. Such firm has no responsibility for the accuracy or completeness of any information furnished in connection with any offer or sale of the Bonds in the Official Statement or otherwise. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent, in part, upon the sale and delivery of such Bonds and all legal fees will be paid from bond proceeds.

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

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

District
Carlsbad Municipal School District
408 N. Canyon Street
Carlsbad, New Mexico 88220
Attn: Laura Garcia

Financial Advisor
RBC Capital Markets, LLC
6301 Uptown Blvd. NE, Suite 110
Albuquerque, NM 87110
Attn: Paul Cassidy

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\$30,000,000
Carlsbad Municipal School District
County of Eddy, New Mexico
General Obligation School Bonds, Series 2016

INTRODUCTION:

Thank you for your interest in learning more about the \$30,000,000 Carlsbad Municipal School District, County of Eddy, New Mexico (the "District"), General Obligation School Bonds, Series 2016 (the "Bonds"). This Official Statement will tell you about the Bonds, their security, the District and the risks involved in an investment in the Bonds.

Although the District has approved this Official Statement, the District does not intend it to substitute for competent investment advice, tailored for your situation.

The Bonds are fully registered bonds in denominations of \$5,000 or integral multiples thereof as described in the Bond Resolution. The Bonds mature and bear interest as presented on the cover page of this Official Statement.

The Financial Advisor

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

The Issuer

The District is a political subdivision of the State of New Mexico organized for the purpose of operating and maintaining an educational program for the school-aged children residing within its boundaries. The District encompasses approximately 2,497 square miles, which includes the City of Carlsbad and unincorporated portions of Eddy County (the "County") in the southeastern area of New Mexico. The District's 2015 Assessed Valuation is \$2,748,730,671 and its enrollment is 6,514 students. See "THE DISTRICT."

Limited Role Of Auditors

Except for the audited financial statements of the District for the year ended June 30, 2015, contained in Appendix B, this Preliminary Official Statement presents unaudited financial and statistical information from District records and other sources.

Purpose

Proceeds of the Bonds will be used for the purposes of (i) erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds and purchasing computer software and hardware for student use in public school classrooms, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act or any combination of these purposes; and (ii) paying costs of issuance. The sale of Bonds represents the second series of \$60 million authorized on February 4, 2014.

THE BONDS

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

General Terms

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

Security for the Bonds

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

Registrar and Paying Agent

BOKF, N.A., Albuquerque, New Mexico (or successor in function) will serve as the Registrar (the "Registrar") and Paying Agent (the "Paying Agent") for the Bonds.

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

Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the 15th day of the month (whether or not a business day) immediately preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Optional Prior Redemption

Bonds maturing on and after August 1, 2026, are subject to redemption prior to their maturity on or after August 1, 2025, at the option of the District, in whole or in part at any time, at par value. The Bonds will be redeemed in \$5,000 units or multiples of \$5,000. The redemption price will equal principal of Bonds being redeemed plus accrued interest to the redemption date, without any premium. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

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

Redemption Notices

Notice of prior redemption shall be given by the Registrar by sending a copy of such notice by first-class, postage prepaid mail, not less than 30 days prior to the redemption date as shown on the registration books as of the date of selection of the bonds to be redeemed. Failure to give such notice by mailing to the registered owner of any Bond, any defect therein, shall not affect the validity of the proceedings for the redemption of any of the Bonds.

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

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

Transfers and Exchanges

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

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required to transfer or exchange any Bond (i) during the period commencing at the close of business on the Record Date and ending at the opening of business on the next interest

payment date; and (ii) within 45 days of the date fixed for redemption; provided such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

Limited Book-Entry Responsibilities

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

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

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

Defeasance

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

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

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

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

Security and Remedies

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

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

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

Limitations of Remedies

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

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

New Mexico School District Enhancement Program

The New Mexico legislature amended NMSA 1978, Sections 22-18-1 et. seq. in the first session of 2003 by adding Section 22-18-13 which became effective July 1, 2003. Section 22-18-13 was further amended in 2007 and provides that, if the school district indicates that it will not make the payment by the date on which it is due, the New Mexico Department of Finance and Administration ("DFA") shall forward the amount in immediately available funds necessary to make the payment due on the bonds to the paying agent from the current fiscal year's undistributed State Equalization Guarantee ("SEG") distribution to that school district and, if not otherwise repaid by the school district from other legally available funds, withhold the distributions from the school district until the amount has been recouped by the DFA, provided that, if the amount of the undistributed SEG distribution in the current fiscal year is less than the payment due on the bond, the DFA shall:

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

This provision applies to all New Mexico school districts.

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

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

SEG distribution may not have sufficient undistributed SEG payments to cover debt service payments in the event of a default.

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

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

DEBT AND OTHER FINANCIAL OBLIGATIONS

General Obligation Debt

Article IX, Section 11 of the New Mexico Constitution limits the powers of a district to incur general obligation debt extending beyond the fiscal year. The district can incur such debt for the purpose of erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, purchasing computer software or hardware for student use in public school classrooms or any combination of these purposes but only after the proposition to create any such debt has been submitted to a vote of the qualified electors of the district, and a majority of those voting on the question vote in favor of creating the debt. The total indebtedness of the district may not exceed 6% of the assessed valuation of the taxable property within the district as shown by the last preceding general assessment. The district also may create a debt by entering into a lease-purchase arrangement to acquire education technology equipment without submitting the proposition to a vote of the qualified electors of the district, but any such debt is subject to the 6% debt limitation. The issuance of refunding bonds does not have to be submitted to a vote of the qualified electors of the district.

The most recent certified assessed valuation of taxable property within the District is \$2,748,730,671 for the tax year 2015, as approved by the State of New Mexico Taxation and Revenue Department, Property Tax Division. Therefore, the maximum general obligation indebtedness of the District may not exceed \$164,923,840.

After the Bonds are issued, the ratio of total outstanding general obligation debt of the District to the 2015 Assessed Valuation will be no greater than 2.25% as summarized below:

2015 Assessed Valuation	\$2,748,730,671
2015 Estimated Actual Valuation ⁽¹⁾	\$8,694,044,964
Current G/O Bonds Outstanding (including this issue)	\$63,905,000
Current G/O Ed Tech Notes Outstanding	\$300,000
Less Debt Service Fund Balance ⁽²⁾	<u>2,431,877</u>
NET DEBT	\$61,773,123
Ratio of Estimated Net Debt to 2015 Assessed Valuation	2.25%
Ratio of Estimated Net Debt to 2015 Estimated Actual Valuation	0.71%
Per Capita Net Bonded Debt	\$1,764.95
Estimated Population	35,000

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

(2) The cash balance as of December 2, 2015 was \$3,014,159. The amount properly attributable to principal reduction is 80.68%.

Outstanding Debt

The District has issued debt ("Outstanding Debt") in the past for various capital improvements and has never defaulted in the payment of any of its debt or other obligations. Listed below is the District's total general obligation debt outstanding, including the Bonds:

Series	Original Amount	Final Maturity	Principal Outstanding
2007	\$7,100,000	08/01/2019	\$3,800,000
2011	7,000,000	08/01/2023	4,730,000
2012 ETN	740,000	02/01/2017	300,000
2014	30,000,000	08/01/2027	25,375,000
2016	<u>30,000,000</u>	08/01/2029	<u>30,000,000</u>
Total	<u>\$74,840,000</u>		<u>\$64,205,000</u>

Debt Service Requirements to Maturity

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

	Current Requirements			Series 2016			Total Requirements		
	Principal	Interest	Total	Principal	Interest ⁽¹⁾	Total	Principal	Interest ⁽²⁾	Total ⁽²⁾
2016	\$6,210,000	\$1,323,475	\$7,533,475	\$1,500,000	\$556,042	\$2,056,042	\$7,710,000	\$2,534,725	\$10,244,725
2017	2,275,000	1,034,025	3,309,025	4,000,000	1,211,250	5,211,250	6,275,000	2,075,275	8,350,275
2018	2,525,000	940,463	3,465,463	4,265,000	1,041,250	5,306,250	6,790,000	1,981,713	8,771,713
2019	3,300,000	836,138	4,136,138	1,750,000	859,988	2,609,988	5,050,000	1,696,125	6,746,125
2020	2,500,000	692,450	3,192,450	1,750,000	785,613	2,535,613	4,250,000	1,478,063	5,728,063
2021	2,600,000	987,300	3,587,300	1,750,000	711,238	2,461,238	4,350,000	1,698,538	6,048,538
2022	2,650,000	457,950	3,107,950	1,750,000	636,863	2,386,863	4,400,000	1,094,813	5,494,813
2023	2,650,000	336,825	2,986,825	1,750,000	562,488	2,312,488	4,400,000	899,313	5,299,313
2024	2,770,000	269,700	3,039,700	1,750,000	488,113	2,238,113	4,520,000	757,813	5,277,813
2025	2,000,000	192,750	2,192,750	1,750,000	413,738	2,163,738	3,750,000	606,488	4,356,488
2026	2,000,000	132,750	2,132,750	1,750,000	339,363	2,089,363	3,750,000	472,113	4,222,113
2027	2,425,000	72,750	2,497,750	1,500,000	264,988	1,764,988	3,925,000	337,738	4,262,738
2028	-	-	-	2,500,000	201,238	2,701,238	2,500,000	201,238	2,701,238
2029	-	-	-	2,235,000	94,988	2,329,988	2,235,000	94,988	2,329,988
	<u>\$33,905,000</u>	<u>\$7,276,575</u>	<u>\$41,181,575</u>	<u>\$30,000,000</u>	<u>\$8,167,154</u>	<u>\$36,111,113</u>	<u>\$63,905,000</u>	<u>\$15,928,938</u>	<u>\$79,833,938</u>

(1)Numbers are preliminary, subject to change. Calculated using average coupon rate of 4.25%. For illustrational purposes only.

(2)Numbers are preliminary, subject to change.

	Current ETN Requirements			Proposed ETN Series 2016 ⁽³⁾			Total Requirements		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$150,000	\$2,460	\$152,460	\$2,800,000	\$19	\$2,800,019	\$2,950,000	\$2,479	\$2,952,479
2017	150,000	1,275	151,275	-	-	-	150,000	1,275	151,275
	<u>\$300,000</u>	<u>\$3,735</u>	<u>\$303,735</u>	<u>\$2,800,000</u>	<u>\$19</u>	<u>\$2,800,019</u>	<u>\$3,100,000</u>	<u>\$3,754</u>	<u>\$3,103,754</u>

(3) Expected to be privately placed in July 2016

Statement of Estimated Direct and Overlapping Debt

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

	2015 Assessed <u>Valuation</u>	G/O Debt <u>Outstanding</u>	Percent <u>Applicable</u>	<u>Amount</u>
State of New Mexico	\$58,412,964,620	\$389,270,000	4.71%	\$18,317,824
Eddy County	5,327,994,259	-	100.00%	-
NMSU-Carlsbad Branch	2,748,730,671	1,010,000	100.00%	1,010,000
City of Carlsbad	372,357,140	-	100.00%	-
Carlsbad Schools	2,748,730,671	64,205,000	100.00%	<u>64,205,000</u>
Total Direct & Overlapping				\$83,532,824
Ratio of Estimated Direct & Overlapping Debt to 2015 Assessed Valuation:				3.04%
Ratio of Estimated Direct & Overlapping Debt to 2015 Actual Valuation:				0.96%
Per Capita Direct & Overlapping Debt:				\$2,386.65
Population:				35,000

Selected Debt Ratios

2015 Assessed Valuation	\$2,748,730,671
2015 Estimated Actual Valuation ⁽¹⁾	\$8,694,044,964
District Net Debt as a Percentage of	
Assessed Valuation	2.25%
Estimated Actual Valuation	0.71%
Direct and Overlapping Debt as a Percentage of	
Assessed Valuation	3.04%
Estimated Actual Valuation	0.96%
Estimated Population	35,000
District General Obligation Debt Outstanding (Including the Proposed Bonds)	\$64,205,000
District Net General Obligation Debt	\$61,773,123
Estimated Direct & Overlapping G/O Debt	\$83,532,824
District Net Debt Per Capita	\$1,764.95
Direct and Overlapping Debt Per Capita	\$2,386.65

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

TAX BASE

Analysis of Assessed Valuation

Assessed Valuation of property within the District is calculated as follows: Of the total estimated actual valuation of all taxable property in the District, 33 1/3 percent is legally subject to ad valorem taxes. After deduction of certain personal exemptions, the 2015 Assessed Valuation is \$2,748,730,671. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor. The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The actual value of Oil and Gas Production and Equipment (see "Oil and Gas" below) is determined by the Oil and Gas Accounting Commission. Oil and Gas totals are certified in March of the year following production. The analysis of Assessed Valuation follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assessments					
Value of Land	\$96,735,679	\$91,638,803	\$89,980,550	\$87,828,532	\$87,401,103
Improvements	549,157,262	513,104,504	486,921,950	462,933,176	443,600,741
Personal Property	56,040,161	44,192,238	37,099,273	32,600,939	29,797,400
Mobile Homes	16,287,355	15,380,141	14,051,064	13,158,121	12,758,196
Livestock	<u>4,188,062</u>	<u>3,133,777</u>	<u>3,239,972</u>	<u>3,288,501</u>	<u>3,321,517</u>
Assessor's Total Valuation	\$722,408,519	\$667,449,463	\$631,292,809	\$599,809,269	\$576,878,957
Less Exemptions					
Head of Family	\$10,286,543	\$10,253,627	\$10,295,846	\$10,732,674	\$10,878,255
Veterans	8,092,184	8,180,826	8,021,688	7,984,224	7,913,430
Other	<u>133,799,833</u>	<u>131,035,619</u>	<u>130,966,783</u>	<u>129,001,359</u>	<u>125,890,945</u>
Total Exemptions	\$152,178,560	\$149,470,072	\$149,284,317	\$147,718,257	\$144,682,630
Assessors Net Valuation	\$570,229,959	\$517,979,391	\$482,008,492	\$452,091,012	\$432,196,327
Central Assessed	\$537,548,553	\$612,828,091	\$385,779,424	\$508,508,419	\$403,778,543
Oil and Gas	\$1,640,952,159	\$1,445,828,572	\$981,474,991	\$796,351,028	\$587,268,989
Total Assessed Valuation	<u>\$2,748,730,671</u>	<u>\$2,576,636,054</u>	<u>\$1,849,262,907</u>	<u>\$1,756,950,459</u>	<u>\$1,423,243,859</u>

A further analysis of Assessed Valuation classified as Residential and Non-Residential the last five years follows:

Residential	\$ 389,156,213	\$ 365,860,915	\$ 339,562,512	\$ 316,147,144	\$ 302,951,793
Non-Residential	718,622,299	764,946,567	528,225,404	644,452,287	533,023,077
Oil and Gas ⁽¹⁾	<u>1,640,952,159</u>	<u>1,445,828,572</u>	<u>981,474,991</u>	<u>796,351,028</u>	<u>587,268,989</u>
	<u>\$2,748,730,671</u>	<u>\$2,576,636,054</u>	<u>\$1,849,262,907</u>	<u>\$1,756,950,459</u>	<u>\$1,423,243,859</u>

(1) Oil and Gas Assessed Valuation for calendar year 2015 will be available in March of 2016. Values for tax year 2015 represent data through December 2014. Oil and Gas production values for calendar year 2015 are down 43% compared to calendar year 2014.

Source: State of New Mexico, Taxation & Revenue Department, Property Division, and Eddy County Assessor

History of Assessed Valuation

The following is a ten-year history of assessed valuation for the District compared with the City of Carlsbad and Eddy County. The tax base of the District has increased 64.5% since 2006 while the City of Carlsbad has increased 42.54% and Eddy County has increased 106.79%.

<u>Tax Year</u>	<u>Carlsbad School District</u>	<u>City of Carlsbad</u>	<u>Eddy County</u>
2015*	\$2,748,730,671 ⁽¹⁾	\$372,357,140	\$5,327,994,259
2014	2,576,636,054	424,521,816	5,156,441,094
2013	1,849,262,907	397,963,865	4,335,058,599
2012	1,748,548,283	382,803,535	3,945,787,758
2011	1,423,243,859	357,418,007	3,165,680,448
2010	1,207,375,592	330,560,774	2,562,876,559
2009	1,707,634,147	314,740,198	3,521,938,935
2008	1,385,226,716	300,193,954	2,774,234,990
2007	1,328,025,954	284,675,682	2,576,875,700
2006	1,440,983,029	261,231,672	2,576,570,476

(1) Oil and Gas Assessed Valuation for calendar year 2015 will be available in March of 2016. Values for tax year 2015 represent data through December 2014. Oil and Gas production values for calendar year 2015 are down 43% compared to calendar year 2014.

Source: Eddy County Assessor's Office

Major Taxpayers

The following is a list of the ten largest taxpayers along with the 2015 Assessed Valuation for each which represents 14.82% of the 2015 Assessed Valuation:

Major Taxpayer	2015 Assessed Valuation	% of Total
Intrepid Potash New Mexico	\$115,749,423	4.21%
Mosaic Potash Company	110,571,850	4.02%
Lea Partners LP	41,156,703	1.50%
Southwestern Public Service	30,357,536	1.10%
El Paso Natural Gas Company	22,657,803	0.82%
DCP Midstream	19,481,132	0.71%
Oxy WTP LP, Midcon SW	19,247,068	0.70%
BN&SF	17,316,850	0.63%
Frontier Field Services	17,131,520	0.62%
Agave	13,682,466	0.50%
Total	\$407,352,351	14.82%

Source: Eddy County Assessor's Office

2015 Assessed Valuation \$2,748,730,671

Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question. The following table summarizes the tax situation on residential property for 2015-16 Fiscal Year and the previous four years.

Within 20 Mill Limit for General Purposes					
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Eddy County	5.979	6.122	6.357	6.500	6.489
City of Carlsbad	5.319	5.442	5.713	5.891	5.891
Carlsbad Schools	<u>0.384</u>	<u>0.393</u>	<u>0.411</u>	<u>0.422</u>	<u>0.421</u>
Total	\$11.682	\$11.957	\$12.481	\$12.813	\$12.801
Over 20 Mill Limit - Interest, Principal, Judgement, etc.					
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.362
Eddy County	0.000	0.000	0.000	0.000	0.000
NMSU - Carlsbad Branch	3.095	2.659	2.778	2.855	3.248
City of Carlsbad	0.000	0.000	0.000	0.000	0.000
Carlsbad Schools	<u>10.111</u>	<u>7.761</u>	<u>5.260</u>	<u>5.319</u>	<u>5.212</u>
Total	\$14.566	\$11.780	\$9.398	\$9.534	\$9.822
Total Levy					
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.362
Eddy County	5.979	6.122	6.357	6.500	6.489
NMSU - Carlsbad Branch	3.095	2.659	2.778	2.855	3.248
City of Carlsbad	5.319	5.442	5.713	5.891	5.891
Carlsbad Schools	<u>10.495</u>	<u>8.154</u>	<u>5.671</u>	<u>5.741</u>	<u>5.633</u>
Total Residential	\$26.248	\$23.737	\$21.879	\$22.347	\$22.623
Total Non-Residential	\$29.211	\$26.592	\$23.922	\$23.928	\$24.329
Total Residential in Unincorporated County	\$20.93	\$18.30	\$16.17	\$16.456	\$16.732
Total Non-Residential in Unincorporated County	\$23.26	\$20.37	\$17.70	\$17.70	\$18.10

Source: New Mexico Department of Finance & Administration

School Tax Rates

The following table shows the historical school tax levies on residential and non-residential property within the District since the 2011 tax year (2011-12 fiscal year). The Two Mill Levy is renewed every six years, most recently on February 5, 2013.

Tax Year	Operational		Two Mill Levy		HB33		Debt Service			Total	
	Res	Non Res	Res	Non Res	Res	Non Res	GO Bonds	ETNs	Total	Res	Non Res
2011	0.421	0.500	1.899	2.000	1.971	2.000	1.342	0.000	1.342	5.633	5.842
2012	0.422	0.500	0.000	0.000	1.976	2.000	1.021	2.322	3.343	5.741	5.843
2013	0.411	0.500	2.000	2.000	1.923	2.000	0.683	0.654	1.337	5.671	5.837
2014	0.393	0.500	1.914	2.000	1.841	2.000	2.131	1.876	4.007	8.155	8.507
2015	0.384	0.497	1.869	1.987	1.796	1.987	5.206	1.240	6.446	10.495	10.917

Yield Control Limitation

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

Developments Limiting Residential Property Tax Increases

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

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

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

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

1. To property that is being valued for the first time;
2. To physical improvements made to the property in the preceding year;

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

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

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

Tax Collections

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

Tax Year	Fiscal Year	Net Taxes Charged to Treasurer ⁽¹⁾	Current Tax Collections ⁽¹⁾	Current Collections as of % of Net Levied	Current/Delinquent Tax Collections ⁽²⁾	Current/Delinquent Collections as of % of Net Levied
2006	06/07	\$ 18,742,480	\$ 17,497,554	93.36%	\$ 18,452,772	98.45%
2007	07/08	20,865,653	19,484,054	93.38%	20,524,655	98.37%
2008	08/09	23,788,674	23,196,557	97.51%	23,690,514	99.59%
2009	09/10	26,792,558	26,032,499	97.16%	27,708,826	100.00%
2010	10/11	29,680,154	28,811,493	97.07%	30,064,815	101.30%
2011	11/12	31,070,173	29,748,070	95.74%	30,652,847	98.66%
2012	12/13	33,995,740	32,785,494	96.44%	33,748,794	99.27%
2013	13/14	35,922,541	34,488,409	96.01%	35,301,040	98.27%
2014	14/15	42,447,143	38,840,556	91.50%	38,840,556	91.50%

(1) As of June 30 of each year

(2) As of June 2015.

Source: Eddy County Treasurer's Office

Interest on Delinquent Taxes

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

Penalty for Delinquent Taxes

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

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

Remedies Available for Non-Payment of Taxes

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

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

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

Tax Collection on Oil and Gas Production

The producer of oil and gas products is required by law to report the value of his production within 65 days after the end of the month in which the products are produced. Payment must be made at the time of reporting. The value upon which the tax levy is imposed (at the prevailing tax rate) is equal to 50% of the well-head price after transaction costs and royalties have been deducted. Interest penalties are imposed on any overdue taxes, although the Oil & Gas Accounting Division of the New Mexico Taxation & Revenue Department experiences few, if any, delinquencies.

Tax Collection on Oil and Gas Equipment

The assessed value of oil and gas equipment is calculated by multiplying the prior calendar year's sales of oil and gas products by .09 (9%). The assessed value determined by this method is then multiplied by the prevailing tax rate. The producer is billed by the Oil and Gas Accounting Division of the New Mexico Taxation & Revenue Department on October 15 of each year. The taxes are payable by November 30 of each year. Interest penalties are imposed on any overdue taxes, although the Division experiences few, if any, delinquencies.

THE DISTRICT

General

The District is a political subdivision of the State organized for the purpose of operating and maintaining an educational program for school-age children residing within its boundaries.

Carlsbad Municipal School District has an enrollment of approximately 6,514 students. The district includes one pre-school, one kindergarten center, eight elementary schools, two middle schools, one high school and one charter school within the District. The educational program also includes vocational, technical and occupational training.

The District employs 52 administrators, 430 teachers and other professional instructional personnel, 136 instructional assistants, 61 administrative (clerical/technical) personnel, 58 maintenance and custodial personnel, and 55 cafeteria employees.

School District Powers

Pursuant to Chapter 22 Laws 2004 passed in the 2004 legislative session, the District's powers are subject to regulations promulgated by the Secretary of the New Mexico Public Education Department ("PED") with the advice of the Public Education Commission. The Secretary of the PED (the "Secretary") is responsible for control, management and direction of all public schools. The Public Education Commission is comprised of 10 members, elected from public education districts for staggered four-year terms. Generally, the powers of the PED include determining policy of operations of all public schools; designating courses of instruction for all public schools in the State; adopting regulations for the administration of all public schools; determining qualifications for teachers, counselors, and their assistants; and prescribing minimum educational standards for all public schools. The PED may order the creation of new school districts or may require consolidation of school districts.

Governing Board and Administration

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

Abel A. Montoya, President, term expires March 1, 2019

Andrew Harris, Vice President; term expires March 1, 2019

Dr. Doris Burton Carleton, Secretary, term expires March 1, 2017

Ron Singleton, Member; term expires March 1, 2017

Steve West, Member, term expires March 1, 2017

The Superintendent of Schools is selected by and serves at the discretion of the Board. All other staff members are selected by the Superintendent. The current Administrative Staff is:

Gary Perkowski, Superintendent of Schools: Mr. Perkowski joined Carlsbad Municipal Schools in April 2011. Early in his teaching career, Mr. Perkowski was a teacher and coach for school districts in Los Lunas, Albuquerque and Carlsbad. He also has extensive experience in local government in Carlsbad, New Mexico having served as a City Council Member for eight years, Mayor Pro-Tem for six years and Mayor for eight years. In addition, Mr. Perkowski currently is a Legislative Liaison for Washington TRU Solutions, LLC and was a past Business Development and Legislative Liaison for Portage Environmental, Inc. Mr. Perkowski has many local government and professional affiliations where he has served on over 10 boards over the past 20 years. Mr. Perkowski received his Master of Arts from the University of Phoenix and his Bachelor of Arts from the University of New Mexico.

Laura Garcia, Finance Director: Ms. Garcia joined Carlsbad Municipal Schools in July 2008. Prior to this position, Ms. Garcia served as the Associate Superintendent for Finance for Gadsden Independent Schools for four years. She has approximately 20 years experience in New Mexico school finance. Ms. Garcia received her Bachelor of Accountancy from New Mexico State University.

Insurance

The District is a member of the New Mexico Public Schools Insurance Authority (the "Insurance Authority"), which was established to provide a comprehensive core insurance program by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the Insurance Authority 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.

Intergovernmental Agreements

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

School Property

Currently, the District operates and maintains a variety of facilities in meeting its obligations to provide an educational program for the school-aged children residing within its boundaries. In addition to the regular educational program of grades kindergarten through 12, the District offers an alternative junior/senior high school for students which includes vocational programs in horticulture, distributive education, home economics, industrial technology training, auto mechanics, welding and metals, and business education. In addition, the District has Special Education Services, Title I remedial education and bilingual education in grades kindergarten through 12.

The District also offers an alternative intervention program for 3rd through 8th grade students who have been expelled from school. The program offers a half-day instruction and a half-day of required counseling.

The capacity of the school facilities is estimated at 7,483 students (FTE basis).

In addition to the school buildings and their contents, the District owns 220 acres of land upon which school buildings and facilities are located, approximately 96 acres of additional vacant property, the district Administration Building, a Maintenance Shop and Custodial Center and an instructional materials warehouse. The District also owns 90 acres of water rights. The appraised value of all school facilities and equipment is over \$161 million.

Enrollment

The District's headcount enrollment has increased 7.83% since 2011/12. Set forth below are the District's enrollment of the school years 2011/12 through 2015/16 inclusive, including special education and bilingual students. For a discussion of the relationship between student enrollment and amounts of financial support provided by the State for public schools, see "FINANCES OF THE EDUCATIONAL PROGRAM - SOURCES OF REVENUES".

The District's enrollment for the current and previous five years is as follows:

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Elementary	2,944	2,854	2,954	3,019	3,259
Middle	1,432	1,421	1,467	1,508	1,503
High	<u>1,665</u>	<u>1,669</u>	<u>1,680</u>	<u>1,759</u>	<u>1,752</u>
Total	6,041	5,944	6,101	6,286	6,514
% Growth Over Previous Year	1.61%	-1.61%	2.64%	3.03%	3.63%

Enrollment above does not include enrollment at Charter School

Source: New Mexico Public Education Department

FINANCES OF THE DISTRICT

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

Sources of Revenues for General Fund

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by school tax levy, state equalization distribution, transportation funds, state instructional material allocations and earning from investments. The sources of revenue for the District's General Fund are:

Local Revenues - Local revenues are a minor source of revenue to the District composed, in part, by a property tax annually levied on and against all of the taxable property within the District for operational purposes. The levy is limited by State law to a rate of 50 cents for each \$1,000 of net taxable value of taxable property. Other sources of local revenues include interest income earned on the District's investments, rentals and sale of property. In the fiscal year 2015, the District received \$2,512,629 from local sources.

Federal Revenues - Another minor source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs. In fiscal year 2015, the District received \$118,472 in federal revenues for its General Fund.

State Revenues - The District's largest source of annual revenue is derived from the State Equalization distribution described below. During fiscal year 2015, the District received \$52,313,551 from state sources. Such payments represented approximately 96.79% of actual fiscal year 2014 General Fund Revenues.

State Equalization Guarantee

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

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

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

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

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

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

SEG payments for the previous five fiscal years are as follows:

<u>Year</u>	<u>Program Unit Value</u>	<u>Number of Units</u>	<u>Amount</u>
2015-2016	4,027.75	12,764.37	\$50,474,810
2014-2015	4,005.75	12,532.34	50,201,409
2013-2014	3,817.55	12,394.50	46,676,258
2012-2013	3,668.18	12,722.34	46,667,822
2011-2012	3,585.97	12,484.40	44,313,448

Source: New Mexico Public Education Department

The New Mexico PED receives Federal mineral-leasing funds from which it makes annual allocations to the school district for purchasing instructional materials. In 2014-15, the District received \$447,224 in instructional materials revenue from the State.

The District is also reimbursed by the State for the costs of transporting pupils to and from school. These payments are based upon a formula consisting of the number of students per square mile that are transported. In 2014-15, the District received \$1,560,658 for transportation purposes.

District Budget Process

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

1. Before April 15 of each year, the District must submit an estimated budget for the next school year to the PED. If the District fails to submit a budget, the PED must prepare a District budget for the ensuing year.
2. Before June 20 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
3. On or before July 1 of each year, the PED must approve and certify an approved operating budget for use by the District board.

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

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

To conform to PED's requirements, budgets for all funds of the District are adopted on the cash basis of accounting except for state instructional material credit. State instructional material funds provide for free textbooks from the PED. As a result, budgets are not prepared in conformity with generally accepted accounting principles (GAAP), and budgetary comparisons are presented on the (Non-GAAP) basis of accounting.

Statement of Net Assets – Government Wide

Listed below is the Statement of Net Assets (Includes Component Unit) for fiscal years 2011 through 2015. The complete audit report for the fiscal year ending June 30, 2015 and the last four years can be downloaded from the State Auditor's website use the following link http://www.saonm.org/audit_reports.

STATEMENT OF NET ASSETS (INCLUDES COMPONENT UNIT)					
	06/30/2011	06/30/2012	06/30/2013	06/30/2014	06/30/2015
<u>Assets</u>					
Cash & cash equivalents	\$18,466,374	\$16,978,290	\$20,501,361	\$24,058,318	\$37,582,844
Receivables	3,039,452	2,906,582	2,553,089	3,345,169	4,439,235
Inventory	480,275	416,985	397,518	422,874	363,809
Prepaid assets	-	-	-	-	-
Other assets	-	-	-	-	-
Bond issuance costs	140,514	161,998	138,817	-	-
Capital Assets	118,516,075	123,676,528	128,773,199	157,939,410	156,917,995
Less: accumulated depreciation	(47,438,419)	(50,140,192)	(53,454,012)	(52,414,675)	(55,347,991)
Total assets	\$93,204,271	\$94,000,191	\$98,909,972	\$133,351,096	\$143,955,892
<u>Deferred Outflows of Resources</u>	-	-	-	-	\$7,861,339
<u>Liabilities and Net Assets</u>					
Accounts payable & accrued expenses	\$1,733,152	\$2,439,233	\$1,807,577	\$4,607,194	\$5,082,311
Deferred revenue	-	-	-	-	-
Current portion of bonds payable	1,000,000	1,655,000	5,170,000	1,355,000	5,800,000
Non-current liabilities:					
Compensated absences	169,173	141,692	299,390	401,119	255,462
Bond premium	221,881	202,285	182,693	2,744,285	2,526,284
Bonds payable within one year	-	-	-	-	-
Bonds payable in more than one year	13,875,000	12,960,000	11,190,000	39,855,000	34,055,000
Net Pension Liability	-	-	-	-	74,290,880
Total liabilities	\$16,999,206	\$17,398,210	\$18,649,660	\$48,962,598	\$122,009,937
<u>Deferred Inflows of Resources</u>	-	-	-	-	\$7,968,640
Invested in capital assets, net of related debt	56,202,656	56,641,968	53,269,185	57,223,396	58,099,663
Restricted for:					
Debt service	1,578,918	2,449,109	6,395,698	7,327,435	10,872,503
Capital projects	13,328,992	9,487,941	11,129,230	39,194,465	46,595,569
Other activities	1,908,036	5,598,862	1,991,760	2,173,271	2,286,702
Unrestricted	3,186,463	2,424,101	7,474,439	(21,510,069)	(96,015,783)
Total net assets	\$76,205,065	\$76,601,981	\$80,260,312	\$84,408,498	\$21,838,654
Total Liabilities & Net Assets	\$93,204,271	\$94,000,191	\$98,909,972	\$133,371,096	\$151,817,231

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. Portions of the independent audit report for FY2015 are attached in Appendix B.

Statement of Net Activities – Government Wide

Listed below is the Statement of Net Activities (Includes Component Unit) for fiscal years 2011 through 2015. The complete audit report for the fiscal year ending June 30, 2015 and the last four years can be downloaded from the State Auditor's website use the following link http://www.saonm.org/audit_reports.

STATEMENT OF ACTIVITIES (INCLUDES COMPONENT UNIT)					
	<u>06/30/2011</u>	<u>06/30/2012</u>	<u>06/30/2013</u>	<u>06/30/2014</u>	<u>06/30/2015</u>
Governmental activities					
Direct Instruction	\$ (28,122,325)	\$ (30,900,590)	\$ (29,949,717)	\$ (32,214,395)	\$ (33,685,828)
Instructional support services	-	-	-	-	-
Student support services	(10,811,262)	(11,122,944)	(11,410,674)	(11,055,800)	(13,018,192)
General administration	-	-	-	-	-
School administration	-	-	-	-	-
Central services	(1,249,372)	(1,211,296)	(1,338,037)	(1,633,353)	(2,092,385)
Operation & maintenance of plant	(5,674,811)	(6,850,133)	(8,839,456)	(11,023,569)	(8,686,701)
Transportation	(37,965)	10,315	(37,063)	(66,872)	(112,036)
Food services	(75,125)	28,758	(8,423)	(52,781)	146,516
Community services	(72,710)	(85,648)	(95,844)	(74,802)	(97,074)
Capital outlay	-	-	-	-	-
Interest on long-term debt	(305,232)	(361,874)	(480,496)	(462,094)	(1,386,721)
Depreciation - unallocated	(2,642,386)	-	-	-	-
Component unit	<u>(1,420,590)</u>	<u>(1,585,491)</u>	<u>(1,909,406)</u>	<u>(1,593,112)</u>	<u>(1,988,612)</u>
Total governmental activities	\$ (50,411,778)	\$ (52,078,903)	\$ (54,069,116)	\$ (58,176,778)	\$ (60,921,033)
General revenues					
State equalization guarantee	43,886,252	43,696,841	45,842,451	48,940,386	51,529,242
Property taxes for general purposes	688,301	394,995	316,467	172,742	531,051
Property taxes for debt service	1,071,715	1,089,897	4,911,152	2,895,409	6,528,964
Property taxes for capital projects	3,178,919	3,213,338	1,920,126	3,906,918	4,469,239
Oil and gas	3,434,795	4,709,723	4,306,234	6,747,888	8,944,277
Unrestricted investment earnings	47,824	35,561	32,444	30,445	59,307
Miscellaneous income	<u>196,635</u>	<u>475,047</u>	<u>398,573</u>	<u>(230,007)</u>	<u>27,228</u>
Total general revenues	<u>52,504,441</u>	<u>53,615,402</u>	<u>57,727,447</u>	<u>62,463,781</u>	<u>72,089,308</u>
Changes in net assets	\$ 2,092,663	\$ 1,536,499	\$ 3,658,331	\$ 4,287,003	\$ 11,168,275
Beginning net assets, as previously reported	\$ 79,767,866	\$ 76,205,065	\$ 76,601,981	\$ 80,260,312	\$ 84,408,498
Restatement	<u>(5,655,465)</u>	<u>(1,139,583)</u>	<u>-</u>	<u>(138,817)</u>	<u>(73,738,119)</u>
Net assets, ending	<u>\$ 76,205,064</u>	<u>\$ 76,601,981</u>	<u>\$ 80,260,312</u>	<u>\$ 84,408,498</u>	<u>\$ 21,838,654</u>

(1) Includes GASB 68 Net Pension Liability Recognition

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. Portions of the independent audit report for FY2015 are attached in Appendix B.

Balance Sheet – General Fund

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

BALANCE SHEET - GENERAL FUND ⁽¹⁾					
	06/30/2011	06/30/2012	06/30/2013	06/30/2014	06/30/2015
<u>Assets</u>					
Cash & cash equivalents	\$7,938,489	\$7,743,130	\$10,200,490	\$12,039,870	\$13,116,531
Accounts Receivable:					
Taxes	93,885	94,826	83,136	124,117	146,758
Due from other funds	2,331,647	2,431,252	1,214,795	1,630,670	1,457,737
Prepaid expenses	-	-	-	-	-
Inventory	<u>365,304</u>	<u>326,965</u>	<u>321,060</u>	<u>304,038</u>	<u>253,567</u>
Total assets	\$10,729,325	\$10,596,173	\$11,819,481	\$14,098,695	\$14,974,593
<u>Liabilities and Fund Balances</u>					
<u>Liabilities</u>					
Accounts payable	\$208,000	\$818,623	\$1,012,931	\$2,660,341	\$3,013,872
Due to other governments	-	-	-	-	-
Due to other funds	420,598	59,685	-	26,217	-
Deferred revenue	<u>31,898</u>	<u>32,010</u>	<u>40,808</u>	<u>45,956</u>	<u>103,831</u>
Total liabilities	\$660,496	\$910,318	\$1,053,739	\$2,732,514	\$3,117,703
<u>Fund balances:</u>					
Reserved for inventory	\$365,304	\$326,965	\$321,060	\$304,038	\$253,567
Designated for subsequent year's expenses in:					
General Fund	-	-	-	-	-
Undesignated - General Fund	<u>9,703,525</u>	<u>9,358,890</u>	<u>10,444,682</u>	<u>11,062,143</u>	<u>11,603,323</u>
Total fund balances	\$10,068,829	\$9,685,855	\$10,765,742	\$11,366,181	\$11,856,890
Total liabilities and fund balances	\$10,729,325	\$10,596,173	\$11,819,481	\$14,098,695	\$14,974,593

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

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. Portions of the independent audit report for FY2015 are attached in Appendix B.

Statement of Revenues, Expenditures & Changes in Fund Balances – General Fund

Below is a five year history of Revenues and Expenditures for the District for fiscal years 2011-2015. The complete audit report for the fiscal year ending June 30, 2015 and the last four years can be downloaded from the State Auditor's website use the following link http://www.saonm.org/audit_reports.

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES - GENERAL FUND ⁽¹⁾					
	<u>06/30/2011</u>	<u>06/30/2012</u>	<u>06/30/2013</u>	<u>06/30/2014</u>	<u>06/30/2015</u>
<u>Revenues:</u>					
Taxes	\$675,870	\$785,881	\$1,017,459	\$1,158,284	\$1,218,787
Federal funding	26,890	105,142	126,903	72,479	118,472
Local grants & local sources	11,195	-	-	-	-
State funding	42,771,094	42,613,346	44,992,361	47,848,777	50,752,893
Transportation distribution	1,446,456	1,254,362	1,242,236	1,512,490	1,560,658
Charges for services	447,400	325,256	659,598	385,857	1,275,678
Investment income	34,335	23,533	17,635	17,743	18,073
Miscellaneous	12,288	329,109	339,244	75	91
Total Revenues	\$45,425,528	\$45,436,629	\$48,395,436	\$50,995,705	\$54,944,652
<u>Expenditures:</u>					
Instruction	\$26,738,843	\$27,871,416	\$28,840,392	\$30,414,612	\$32,174,780
Student support services	9,468,487	9,232,712	9,913,893	9,544,861	13,003,334
Central services	1,467,023	1,256,969	1,287,306	1,578,686	1,997,501
Operation & maintenance of plant	5,469,346	6,150,046	5,585,079	7,155,466	5,231,666
Student transportation	1,446,456	1,208,101	1,241,152	1,509,807	1,610,685
Food services	1,664	13,642	404,797	124,608	104,994
Community service	78,446	86,717	88,219	67,226	88,284
Bond issuance costs	12,470	-	-	-	-
Capital outlay	-	-	-	-	277,699
Total Expenditures	\$44,682,735	\$45,819,603	\$47,360,838	\$50,395,266	\$54,488,943
Excess (deficiency) of revenues over expenditures	742,793	(382,974)	1,034,598	600,439	455,709
Restatement	42,747	-	45,289	-	-
Net changes in fund balances	785,540	(382,974)	1,079,887	600,439	490,709
Fund Balance, beginning of year	9,283,289	10,068,829	9,685,855	10,765,742	11,366,181
Fund Balance, end of year	\$10,068,829	\$9,685,855	\$10,765,742	\$11,366,181	\$11,856,890
GF Balance as % of Revenues	22.2%	21.3%	22.2%	22.3%	21.6%

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

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. Portions of the independent audit report for FY2015 are attached in Appendix B.

Special Revenue Funds

The Special Revenue Fund accounts are used to account for grant funds received from various sources that are legally required to be used for purposes specified in the grant awards and may not be used for any other purpose.

Debt Service

Debt service funds are used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The County remits property taxes collected on locally assessed and centrally assessed property to the District as one lump sum and does not break down the amounts as to principal or interest reduction in accordance with instructions from PED.

Capital Projects

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Capital Projects Fund which consists of the Bond Building Fund accounts for the resources and major costs of capital improvements in the District such as erecting, remodeling, making additions to and furnishing school buildings and purchasing and improving school grounds. Revenue is provided through general obligation bonds and earnings on investments.

Fiduciary Funds – Trust & Agency

These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

District Budget Process

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

- Before April 15 of each year, the District must submit an estimated budget for the next school year to PED. If the District fails to submit a budget, PED must prepare a District budget for the ensuing year.
- Before June 20 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
- On or before July 1 of each year, PED must approve and certify an approved operating budget for use by the District Board.

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

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

To conform with PED's requirements, budgets for all funds of the District are adopted on the cash basis of accounting except for state instructional material credit. State instructional material funds provide for free textbooks from PED. As a

result, budgets are not prepared in conformity with generally accepted accounting principles GAAP, and budgetary comparisons are presented on the (Non-GAAP) basis of accounting.

Employees and Retirement Plan

Post-Employment Benefits – State Retiree Healthcare 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 (NMSA 1978 §§ 10-7C-1 through 10-7C-16). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Retiree Health Care 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 (at Section 10-7C-13) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

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

The District's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$739,418, \$691,606, and \$658,950,277 respectively, which equal the required contributions for each year. The Academy's contributions for fiscal year ending June 30, 2015, 2014 and 2013 were \$21,788, \$21,642, \$18,698.

Pension Plan – Educational Retirement Board

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

Following is a partial history of employer and employee contributions statewide and net assets held in trust of the retirement fund.

<u>Fiscal Year Ending June 30</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Average Asset Balance</u>
2006	\$226,479,332	\$178,220,782	\$7,935,721,495
2007	255,853,194	193,657,706	8,316,115,182
2008	290,846,065	201,916,230	9,272,832,328
2009	323,685,497	212,014,023	9,366,271,312
2010	313,276,296	250,666,650	9,431,321,589
2011	308,367,952	247,407,988	9,642,229,673
2012	253,845,277	289,852,094	9,606,304,017
2013	299,657,530	248,785,187	10,358,058,861
2014	362,462,537	268,693,991	11,442,171,449

Source: New Mexico Educational Retirement Board

Funding Policy

Contributions

For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District and component unit were \$5,161,306 and \$164,554, respectively, for the year ended June 30, 2015.

Net Pension Liability – The ERB's net pension liability for fiscal year 2014 is \$5.71 billion. This represents a \$571.1 million, or 9.1%, decrease from the fiscal year 2013 \$6.28 billion balance. The 2014 net pension liability stated as a percentage of covered payroll is 209.92%. The decrease in net pension liability is primarily due to investment gains.

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the District and the component unit reported a liability of \$72,050,819 and \$2,240,061 respectively for their proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA

1978. At June 30, 2014, the District's proportion was 1.26278 percent, which was a decrease of 0.05442 from its proportion measured as of June 30, 2013. At June 30, 2014, the component unit's proportion was 0.03926 percent, which was a decrease of 0.00233 from its proportion measured as of June 30, 2013.

ERB Actuarials At A Glance*				
Fiscal Year	06/30/2012	06/30/2013	06/30/2014	06/30/2014 GASB 68
UAAL	\$6.2B	\$6.5B	\$6.3B	\$5.7B
Funded Ratio	60.7%	60.1%	63.1%	66.9%
Funding Period	Infinite	95.1 years	42.1 years	Not applicable

*New Mexico School Boards Association, February 2015

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

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

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

TAX EXEMPTION

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing law and assuming continuous compliance with certain covenants made by the District, the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that, under existing law, interest on the Bonds is excluded from net income for purposes of the tax imposed on individuals, estates and trusts under the New Mexico Income Tax Act or for purposes of the tax imposed on corporations under the New Mexico Corporate Income and Franchise Tax Act. Bond Counsel will express no opinion regarding other federal or New Mexico income tax consequences resulting from the receipt or accrual of interest on the Bonds. A form of Bond Counsel Opinion is attached to this document as Appendix D.

The opinion on federal tax matters will be based on and will assume continuous compliance with certain covenants of the District to be contained in the transcript of proceedings and that are intended to evidence and assure that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel has not and will not independently verify the accuracy of any of the certifications and representations made by the District.

The Code prescribes a number of qualifications that must be met and conditions that must be satisfied in order for the interest on state and local government obligations such as the Bonds to be and remain excluded from gross income for federal income tax purposes. Some of these provisions, including provisions for the rebate by the issuer of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income taxes. The District covenants in the Bond Resolution to take all actions that may be required of it in order for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Code provisions applicable to corporations (as defined for federal income tax purposes) that impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income, may subject a portion of the interest of the Bonds earned by corporations to the corporate tax imposed on certain corporations, a branch profits tax imposed on certain foreign corporations doing business in the United States, and a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes can result in certain adverse federal income tax consequences on items of income or deductions for certain taxpayers, including among them financial institutions, insurance companies, recipients of Social Security and Railroad Retirement benefits, and those that are deemed to incur or continue indebtedness to acquire or carry tax exempt obligations. The applicability and extent of those or other tax consequences will depend upon the particular tax status or other items of income and expense of the owners of the Bonds. Bond Counsel expresses no opinion regarding such consequences.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service will treat the District as the taxpayer and the Bond owners may have no right to participate in such procedure.

None of the District, the Financial Advisor, or Bond Counsel is obligated to defend the tax-exempt status of the Bonds. However, the District has covenanted in the Bond Resolution not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income, except to the extent described above, for the owners thereof for federal income tax purposes. None of the District, the Financial Advisor, or Bond Counsel is responsible to pay or reimburse the costs of any Bond, owner with respect to any audit or litigation relating to the Bonds.

Original Issue Discount

The Bonds may be offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holders' tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Bonds offered at original issue discount should consult their tax advisor for an explanation of the accrual rules.

Original Issue Premium

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

Litigation

There is no litigation pending or threatened about the validity of the Bonds or the use of Bond proceeds, the financial stability of the District, the corporate existence of the District or the titles of their officers or contesting or affecting the District's ability to receive taxes that could be used for Bond payments.

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

RATINGS

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

THE FINANCIAL ADVISOR

The District has retained RBC Capital Markets, LLC as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds.

LEGAL MATTERS

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

CONTINUING DISCLOSURE UNDERTAKING

For the benefit of bondholders and to enable a broker, dealer or municipal securities dealer to comply with requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission, the District has undertaken to provide to the

Municipal Securities Rulemaking Board (the "MSRB") MSRB's Electronic Municipal Market Access ("EMMA"), its audited financial statements and certain financial and operating information. The District will provide financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "THE DISTRICT – Student Enrollment," "FINANCES OF THE DISTRICT - State Equalization Guarantee, Statement of Net Assets, Statement of Activities, Balance Sheet and Statement of Revenues, Expenditures & Changes in Fund Balances." The District will update and provide this information no later than March 31 of each year, commencing March 31, 2016, for the fiscal year ending on the preceding June 30. A draft of the Continuing Disclosure Undertaking is attached hereto as Appendix E.

Any or all of such information may be incorporated by reference from other documents, as permitted by the Rule. The annual information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, unaudited financial statements must be provided as part of the annual financial information, and audited financial statements when and if audited financial statements become available. Any such financial statements will be prepared in accordance with generally accepted accounting principals and state law requirements, as in effect from time to time. (See Note 1 of the District's audited financial statements included as Appendix B for a description of the accounting principles currently followed in the preparation of the District's audited annual financial statements.)

If the District changes its fiscal year, it may change the date by which it must provide its annual financial information to a date no later than six months after the end of its new fiscal year. In addition, the District shall provide to EMMA timely notice of any failure to provide required annual financial information on or before the filing date.

Event Notices

The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: 1) Principal and interest payment delinquencies; 2) Non-payment related defaults, if material within the meaning of the federal securities laws; 3) Unscheduled draws on debt service reserves reflecting financial difficulties; 4) Unscheduled draws on credit enhancements reflecting financial difficulties; 5) Substitution of credit or liquidity providers, or their failure to perform; 6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds or the Lease, or other events affecting the tax-exempt status of the Bonds; 7) Modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws; 8) Bond calls, if material within the meaning of the federal securities laws; 9) Defeasances; 10) Release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws; 11) Rating changes; 12) tender offers; 13) Bankruptcy, insolvency, receivership or similar event of the District; 14) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and 15) Appointment of a successor or additional trustee or the change of name of a trustee, if material with the meaning of the federal securities laws.

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

Limitations and Amendments

The District may amend its undertaking from time to time without consent of the Bondholders, if the District delivers to EMMA an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect hereto, will not adversely affect compliance of the undertaking and the District with the Rule (except that no opinion of counsel shall be required with respect to a change in the date by which the annual financial and operating information must be reported resulting from a change in the District's fiscal year). The undertaking will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, the undertaking, or any provision thereof, will be null and void in the event the District delivers to EMMA an opinion of nationally recognized bond counsel to the effect that those portions of the Rule that require the undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds.

Any failure of the District to provide the annual financial information or any material event notice does not constitute an Event of Default with respect to the Bonds, and an action seeking to compel performance of the undertaking shall be the sole remedy in the event the District fails to comply with the undertaking.

For fiscal year 2011, the District's audited financial statements were unavailable at the time of filing. The annual financial reports did not include the unaudited financial statements as required by SEC Rule 15c2-12. The District has since made timely continuing disclosure agreements in accordance with SEC Rule 15c2-12 and is in compliance with such agreements.

ADDITIONAL MATTERS

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

A LAST WORD

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

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

/s/

Abel Montoya, President, Board of Education

/s/

Dr. Doris Burton Carleton, Secretary, Board of Education

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT THE ECONOMY

General

The Carlsbad Municipal School District (the "District") is located in the southeastern area of New Mexico. It is serviced by two highways: U.S. 285 traveling north and south, and U.S. 62/180 traveling east and west. The City of Carlsbad is the seat of Eddy County. Located along the banks of the Pecos River, Carlsbad was originally christened the Town of Eddy on September 15, 1888 and organized as a municipal corporation in 1893. With the improvement of the mineral springs with their valuable medicinal qualities north of town, the town changed the name to Carlsbad, after the famous European spa, Karlsbad. With the discovery of the "Bat Cave" in 1901 and the establishment of the Carlsbad Caverns National Park on May 14, 1930, Carlsbad gained international recognition.

Potash Production

Discovered in 1925, the potash industry in Carlsbad has long been the "backbone" of the economy of the region. Potash is a mined salt containing water-soluble potassium. New Mexico ranked first in domestic potash production in 2013, producing 75 percent of U.S. potash. Potash is used primarily as an agricultural fertilizer or animal feed supplement, with most sold to nearby states. Intrepid Mining LLC and Mosaic operate potash mines near Carlsbad in Eddy County.

Intrepid Mining was formed in January 2000 for the purpose of acquiring the Moab Mine from PCS. The company acquired the assets of Mississippi Potash, Inc. and Eddy Potash, Inc. in Carlsbad, New Mexico from Mississippi Chemical Company in February 2004. In April 2004, they acquired the potash assets of Reilly Chemical, Inc. in Wendover, Utah. Interpid supplies approximately 9% of the country's annual consumption. There are 3 sites approximately 30 miles (48 km) East of Carlsbad, NM. The East facility, produces sylvite and langbeinite potash, and is capable of fully processing its ore to the storage or shipment stage. The West facility produces mainly traditional potash, which is shipped by truck to be processed at the North facility for final storage or shipping.

The table below shows a history of average potash shipped \$/ton for Interpid Potash:

Year Ending:	2010	2011	2012	2013	2014	2015
Average Potash Shipped \$/ton ¹	\$376.00	\$444.00	\$465.00	\$344.00	\$354.00	\$383.00

Mosaic is the world's largest combined producer of potash and phosphates, two vital plant nutrients. Launched October 25, 2004, Mosaic was formed by a merger between IMC Global, a fertilizer company formed in 1909, and Cargill's crop nutrition division. The company is among the world's largest producers of potash with 10.5 million tonnes of operational capacity. Mosaic's Potash facility in Carlsbad operates one of the largest underground mines in the United States. This location mines two separate potassium minerals: sylvite and langbeinite.

According to the State of New Mexico Taxation and Revenue Department Central Assessment Division, the Assessed value of potash production for Carlsbad School District was \$226,321,273 for tax year 2015.

Intercontinental Potash Corp., is approaching groundbreaking for a high-value, specialty potash mine in New Mexico along the border between Lea and Eddy counties. The company has been working since 2008 on the \$1.1 billion project, which will provide up to 1,400 construction jobs and 500 permanent ones². The independent study estimates that the Ochoa plant can produce an estimated 714,400 metric tons of potash per year when operating at maximum production levels. The state of New Mexico estimates it could receive about \$8 million from IC Potash annually once full production is reached, according to the State Land Office.³

¹ Interpid Potash Quarterly Report. <http://investors.intrepidpotash.com/phoenix.zhtml?c=218952&p=irol-irhome>

² Albuquerque Journal. Happy days here again for NM mine industry. <http://www.abqjournal.com/602017/biz/happy-days-here-again-for-nm-mine-industry.html>

³ Albuquerque Journal. New NM potash mine to cost \$1.02 billion <http://www.abqjournal.com/344229/biz/new-nm-potash-mine-to-cost-102-billion.html>

The table below depicts New Mexico history of potash production volume, production value, ranking and employment¹. 2015 numbers will be available in the fall of 2016:

Year	Production Volume (short tons)	% Change over Previous Year	Production Rank ⁽¹⁾	Production Value \$	% Change over Previous Year	Employment ⁽²⁾	Reclamation Employment
2004	1,069,265		1	\$ 237,819,345		954	0
2005	988,782	-7.53%	1	282,710,833	18.88%	926	0
2006	825,540	-16.51%	1	237,603,468	-15.96%	1,078	2
2007	922,628	11.76%	1	273,946,696	15.30%	1,163	2
2008	1,076,759	16.71%	1	612,745,114	123.67%	1,399	24
2009	602,231	-44.07%	1	491,276,710	-19.82%	1,227	28
2010	812,756	34.96%	1	512,426,376	4.31%	1,327	29
2011	781,282	-3.87%	1	636,047,697	24.12%	1,521	30
2012	1,548,047	98.14%	1	953,477,008	49.91%	1,473	30
2013	2,188,874	41.40%	1	914,659,051	-4.07%	1,600	15
2014	2,130,352	-2.67%	1	1,093,208,523	19.52%	1,078	33

(1) Production rank is in relation to other U.S. states

(2) Employment category includes direct and contract employees

Potash Valuation for Property Taxation Purposes

According to NM Stat § 7-36-24 (1996 through 1st Sess 50th Legis) "The value for property taxation purposes of improvements, equipment, materials, supplies and other personal property held or used in connection with all classes of potash mineral property is an amount equal to the market value of all mineral production from the potash mineral property for the prior year, less any royalties paid or due the United States, the state or any Indian tribe, Indian pueblo or Indian who is a ward of the United States....". "The value for property taxation purposes of class one, two and three productive potash mineral property is an amount equal to fifty percent of the market value of all mineral production from the potash mineral property for the prior year....". Potash tax collections follow general property tax rules referred to on page 15 (Tax Collections) of this document.

Oil and Gas Production

New Mexico is ranked third in natural gas production (behind Texas and Oklahoma) and third in proven gas reserves among all producing states in the United States. According to a new study published by the Carlsbad Department of Development, New Mexico's Eddy County leads in oil and natural gas production across the entire Permian basin². Eddy County has remained the undisputed leader in oil and gas production in 2012, 2013 and 2014. Most of today's oil production occurs in the New Mexico portion of the Permian Basin in southeast New Mexico and most of the natural gas production occurs in northwest New Mexico.

Oil and gas production is an important factor of the economic base of Eddy County. The tables on the following page depict a 10-year history for the production of these products³:

Tax Collection on Oil and Gas Production

The producer of oil and gas products is required by law to report the value of his production within 65 days after the end of the month in which the products are produced. Payment must be made at the time of reporting. The value upon which the tax levy is imposed (at the prevailing tax rate) is equal to 50% of the well-head price after transaction costs and royalties have been deducted. Interest penalties are imposed on any overdue taxes, although the Oil & Gas Accounting Division of the New Mexico Taxation & Revenue Department experiences few, if any, delinquencies.

¹ New Mexico Energy, Minerals and Natural Resources Department. Annual Reports. <http://www.emnrd.state.nm.us/ADMIN/publications.html>

² Carlsbad Department of Development. Eddy County Continues to Lead in Oil & Gas. July 2015. <http://www.developcarlsbad.org/index.aspx?nid=899>

³ State of New Mexico Oil and Natural Gas Administration and Revenue Database. <http://web.ongard.state.nm.us/Applications/OSCRptg/StartReport.aspx?ReportId=151>

Tax Collection on Oil and Gas Equipment

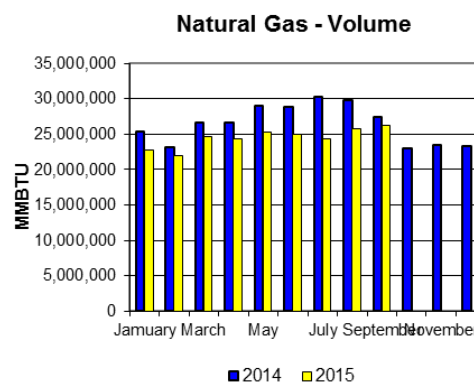
The assessed value of oil and gas equipment is calculated by multiplying the prior calendar year's sales of oil and gas products by .09 (9%). The assessed value determined by this method is then multiplied by the prevailing tax rate. The producer is billed by the Oil and Gas Accounting Division of the New Mexico Taxation & Revenue Department on October 15 of each year. The taxes are payable by November 30 of each year. Interest penalties are imposed on any overdue taxes, although the Division experiences few, if any, delinquencies.

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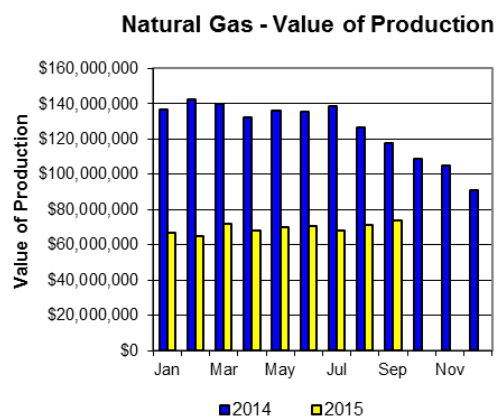
Natural Gas

Calendar Year	Eddy County		New Mexico	
	Volume (MCF)	Value (000's)	Volume (MCF)	Value (000's)
2005	280,381,018	2,047,663	1,547,720,286	10,316,651
2006	271,087,803	1,711,030	1,525,969,201	10,405,876
2007	266,524,171	1,778,784	1,508,985,029	10,254,722
2008	266,091,879	2,297,269	1,399,508,571	12,772,531
2009	228,464,174	941,395	1,381,753,018	5,727,586
2010	217,987,912	1,193,999	1,155,151,796	6,414,098
2011	220,271,283	1,330,720	1,225,311,905	7,105,030
2012	237,043,553	1,090,301	1,220,793,984	5,285,252
2013	259,436,961	1,248,608	1,167,061,295	5,413,546
2014	316,917,359	1,509,639	1,200,327,161	6,267,444

2014	Natural Gas	
	Volume	Value
Jan	25,313,538	136,437,952
Feb	23,136,752	142,614,421
Mar	26,695,155	139,603,008
Apr	26,669,365	132,551,109
May	28,998,060	135,815,932
Jun	28,773,639	135,164,513
Jul	30,259,131	138,885,375
Aug	29,824,693	126,532,774
Sep	27,444,987	117,552,799
Oct	22,983,853	109,015,043
Nov	23,452,257	104,663,507
Dec	23,365,929	90,802,301
	316,917,359	\$1,509,638,734



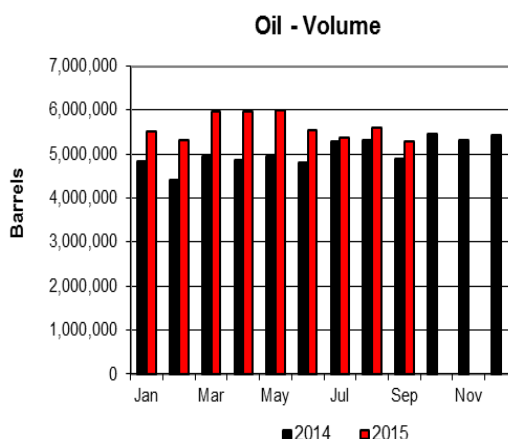
2015	Natural Gas	
	Volume	Value
Jan	22,690,478	66,660,617
Feb	22,036,158	64,652,415
Mar	24,689,733	71,767,537
Apr	24,396,412	68,277,956
May	25,339,842	69,972,948
Jun	24,994,596	70,588,580
Jul	24,309,932	68,135,526
Aug	25,713,423	71,136,889
Sep	26,249,584	73,788,541
Oct	0	0
Nov	0	0
Dec	0	0
	220,420,158	\$624,981,009



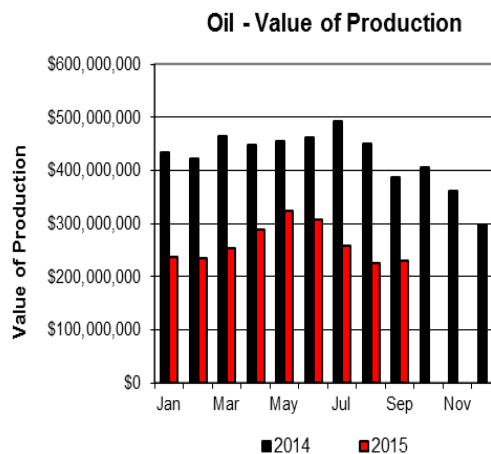
Crude Oil

Calendar Year	Eddy County		New Mexico	
	Volume (Barrels)	Value (000's)	Volume (Barrels)	Value (000's)
2005	21,798,224	1,153,947	61,903,476	3,080,155
2006	20,731,860	1,288,910	60,186,585	3,706,299
2007	21,715,008	1,348,950	59,213,297	6,761,620
2008	22,311,166	2,307,037	61,878,561	6,230,676
2009	24,308,244	1,341,633	62,353,958	3,333,533
2010	27,087,011	2,012,011	58,485,470	4,306,709
2011	33,182,132	2,923,185	72,740,871	6,317,527
2012	44,787,754	4,011,899	84,743,260	7,714,298
2013	52,884,026	4,837,398	101,751,495	9,250,640
2014	60,463,953	5,081,431	121,071,928	10,788,344

2014	Oil	
	Volume	Value
Jan	4,849,518	434,163,864
Feb	4,411,627	421,666,467
Mar	4,942,235	465,259,367
Apr	4,850,343	448,089,371
May	4,941,753	454,696,128
Jun	4,804,848	461,913,650
Jul	5,276,767	493,149,798
Aug	5,322,541	450,234,778
Sep	4,880,767	387,899,214
Oct	5,447,971	406,316,228
Nov	5,311,057	360,780,628
Dec	5,424,526	297,261,169
	60,463,953	\$5,081,430,660



2015	Oil	
	Volume	Value
Jan	5,509,232	236,448,328
Feb	5,316,495	234,357,810
Mar	5,968,187	252,869,005
Apr	5,956,588	288,792,961
May	5,993,644	324,432,991
Jun	5,550,555	306,238,102
Jul	5,359,302	258,147,139
Aug	5,597,532	226,374,983
Sep	5,288,276	229,905,344
Oct	0	0
Nov	0	0
Dec	0	0
	50,539,811	\$2,357,566,663



WIPP Project (Waste Isolation Pilot Plant)

The same geologic formations that made Eddy County the United States' leading potash producer have also made the area the chosen site for the Department of Energy's Waste Isolation Pilot Plant ("WIPP"). Potash and salt have proven to be extremely important to Eddy County and the nation. First, the rich potash deposits discovered in the early 1920's continue to rival those of Canada and Russia. Secondly, based on a recommendation by the National Academy of Sciences, a 2000-foot thick salt deposit, located 2,150 feet underground, was elected in the early 1970's as the site for the nation's first deep-geologic repository for defense-generated nuclear waste.

The Waste Isolation Pilot Plant, or WIPP, safely disposes of the nation's defense-related transuranic radioactive waste. Located in the Chihuahuan Desert, outside Carlsbad, New Mexico, WIPP began disposal operations in March 1999. Transuranic radioactive waste left from the research and production of nuclear weapons is disposed of at WIPP. Waste is emplaced in underground storage rooms mined in a salt formation that has remained geologically stable for more than 225 million years. The site is about 26 miles east of the City of Carlsbad.

The total scope of WIPP is enormous. By law, the facility can dispose of 6.2 million cubic feet of waste, or about 850,000 55-gallon drums. More than 20 temporary above-ground storage facilities will send waste to the unique repository, which will take about 35 years to fill to capacity. Washington TRU Solutions manages the site for the Department of Energy. Numerous contractors work at WIPP (see major employers).

Agriculture

Eddy County is a significant producer of agricultural products in New Mexico. Its primary products are hay, cotton, sorghum, pecans, cattle and wheat. The following chart show cash receipts for livestock and crops (in 000's) for Eddy County and New Mexico since 2005:

<u>Year</u>	<u>Livestock</u>	<u>Crops</u>	<u>Total</u> <u>Eddy County</u>	<u>Total</u> <u>New Mexico</u>
2013	\$112,895	\$48,320	\$161,215	\$4,019,802
2012	116,805	53,036	169,841	4,132,542
2011	116,805	53,036	169,841	4,132,542
2010	71,373	51,937	123,310	3,239,622
2009	57,201	37,497	94,698	2,637,404
2008	75,762	55,642	131,404	2,527,876
2007	99,709	58,947	158,656	3,077,115
2006	76,828	38,322	115,150	2,500,938
2005	77,063	39,236	116,299	2,611,152

Source: NM Department of Agriculture and National Agricultural Statistics Survey

<http://www.nmda.nmsu.edu/wp-content/uploads/2015/02/NM-2013-Pub-Draft-Jan-27.pdf>

Tourism (Carlsbad Caverns National Park)

Carlsbad Caverns National Park is a US National Park in the Guadalupe Mountains in southeastern New Mexico. The park entrance is located on US Highway 62/180, approximately 18 miles (29 km) southwest of Carlsbad, New Mexico. The park was established in 1930 and currently encompasses an area of 46,677 acres. The park contains over 119 caves. Three caves are open to public tours. Carlsbad Caverns is the most famous and is fully developed with electric lights, paved trails, and elevators. Slaughter Canyon Cave and Spider Cave are undeveloped, excepted for designated paths for the guided "adventure" caving tours. Carlsbad Caverns sees an average of 407,211 visitors every year. The highest attendance seen in a year was 876,500 visitors in 1976.¹ Peak visitation typically occurs on the weekends following Memorial Day and the Fourth of July.

Education

Over 6,000 students attend the Carlsbad Municipal Schools. There are three parochial/private schools in the Carlsbad area.

New Mexico State University - NMSU-Carlsbad is a two-year branch community college of New Mexico State University and is independently accredited by the North Central Association. NMSU-C has reported 1,931 students at its September 6, 2015 census, a 4.3% increase from Fall 2014 census. NMSU Carlsbad also recorded a 2.9 percent increase in student credit hours from last year². NMSU-C has approximately 41 full-time faculty members, 63 part-time faculty and 72 full-time staff members.

NMSU-Carlsbad offers a variety of quality educational opportunities. The college is the Eddy County provider of Adult Basic Education services (ABE). The college offers developmental studies designed to provide students with basic skills needed to achieve academic success. Certificate programs of 30-36 credit hours are designed to provide the students with marketable and employable skills upon completion. Associate of Arts degrees are designed for individuals who plan to complete their educational goals with a baccalaureate degree. Associate of Applied Science degrees are designed for those who enter the work force upon graduation. Transfer programs are designed to provide freshman- and sophomore-level course work for students planning to transfer to institutions offering baccalaureate degrees. Non-credit programs offered through Community Services and Continuing Education programs provide a variety of educational, personal interest, and enrichment programs for all ages. NMSU-Carlsbad hosts the regional Small Business Development Center (SBDC) and the Manufacturing Sector Development Program (MSDP) that serves business and industry training needs through customized programs.

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¹ National Park Service Visitor Use Statistics. <https://irma.nps.gov/Stats/Reports/National>

² Current Argus News. NMSU Carlsbad Enrollment up. http://archive.currentargus.com/carlsbad-news/ci_28854430/nmsu-carlsbad-enrollment-up

Population and Age Distribution

The following chart sets forth historical and projected population data for the City of Carlsbad, Eddy County and the State of New Mexico.

<u>Year</u>	<u>City of Carlsbad</u>	<u>Eddy County</u>	<u>State of New Mexico</u>
1960	25,541	50,783	951,023
1970	21,297	41,119	1,017,055
1980	25,496	47,855	1,303,143
1990	24,952	48,605	1,515,069
2000	25,531	51,736	1,819,046
2010	26,138	53,829	2,059,179
2014*	28,103	56,395	2,085,572
2015 ⁽¹⁾	27,576	56,589	2,091,587
2020 ⁽²⁾	28,791	59,281	2,540,145
Projected Growth 2015-2020 ⁽²⁾	4.41%	4.76%	1.52%

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

Last Revised: Wednesday, 14-Oct-2015

(1) Estimates. Source: The Nielsen Company, November 2015

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

The following table sets forth a comparative age distribution profile for City of Carlsbad, Eddy County, New Mexico and the United States as of 2015.

<u>Age</u>	<u>City of Carlsbad</u>	<u>Eddy County</u>	<u>State of New Mexico</u>	<u>United States</u>
0 - 17	25%	25.4%	24.5%	23.2%
18 - 24	9%	9.4%	9.7%	9.9%
25 - 34	13%	13.0%	13.3%	13.3%
35 - 44	11%	11.4%	11.8%	12.7%
45 - 64	15%	15.8%	12.6%	13.6%
65 & Older	26%	25.0%	28.1%	27.3%

Source: The Nielsen Company, August 2015.

Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income ("EBI") and a five-year comparison of the estimated median household income as reported by The Nielsen Company. EBI is personal income less personal tax and non tax payments. Personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. During the period shown in the following chart, the estimated median household income level for the County compares favorably with the State but has been lower than the national level.

<u>Effective Buying Income Group</u>	<u>City of Carlsbad</u>	<u>Eddy County</u>	<u>State of New Mexico</u>	<u>United States</u>
Under \$25,000	16.1%	14.6%	28.4%	23.5%
\$25,000 - 34,999	11.9%	11.4%	11.6%	10.2%
\$35,000 - 49,999	13.9%	14.5%	14.1%	13.6%
\$50,000 - \$74,999	19.6%	17.5%	17.1%	17.8%
\$75,000 & Over	38.5%	42.0%	28.8%	34.9%
2011 Est. Median Household Income	\$40,408	\$42,172	\$42,030	\$49,726
2012 Est. Median Household Income	\$40,603	\$42,407	\$41,958	\$49,581
2013 Est. Median Household Income	\$44,191	\$48,305	\$43,273	\$49,297
2014 Est. Median Household Income	\$44,955	\$47,674	\$44,292	\$51,579
2015 Est. Median Household Income	\$47,964	\$49,474	\$45,633	\$53,706

Source: The Nielsen Company, August 2015

Gross Receipts

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

<u>FY6/30</u>	<u>City of Carlsbad</u>		<u>State of New Mexico</u>	
	<u>Retail</u>	<u>Total</u>	<u>Retail</u>	<u>Total</u>
2014	\$467,460,325	\$1,359,223,786	\$24,395,913,091	\$107,584,699,939
2013	589,503,942	1,774,173,020	23,873,876,703	106,300,014,072
2012	496,705,978	1,508,595,540	24,254,464,867	107,820,845,423
2011	393,772,206	1,284,235,437	23,789,930,179	103,861,712,645
2010	332,594,427	1,100,919,149	24,608,799,717	95,703,873,056
2009	338,639,901	1,156,617,475	23,812,635,284	104,562,006,074
2008	330,685,996	1,124,880,595	25,711,762,198	110,710,199,751
2007	308,419,734	955,483,439	26,012,239,572	103,740,330,414
2006	329,148,366	922,214,323	24,014,746,059	94,347,408,225
2005	274,272,643	811,012,786	20,454,852,088	79,471,570,903

Source: New Mexico Taxation & Revenue Department and UNM Bureau of Business & Economic Research

Employment

The following table provides a ten year history of employment in the County, the State and the United States.

<u>Year⁽¹⁾</u>	<u>Eddy County</u>		<u>State of New Mexico</u>		<u>United States</u>
	<u>Labor Force</u>	<u>% Unemployed</u>	<u>Labor Force</u>	<u>% Unemployed</u>	<u>% Unemployed</u>
2006	25,749	4.3%	928,094	4.2%	4.6%
2007	26,410	3.6%	934,027	3.8%	4.6%
2008	28,504	2.7%	944,548	4.5%	5.8%
2009	29,463	6.0%	940,352	7.5%	9.3%
2010	29,289	5.4%	936,088	8.1%	9.6%
2011	28,987	5.7%	929,862	7.6%	8.9%
2012	30,951	3.7%	928,050	7.1%	8.1%
2013	31,232	3.7%	922,960	6.9%	7.4%
2014	29,107	4.3%	918,206	6.5%	6.2%
2015 ⁽²⁾	29,894	5.1%	923,700	6.8%	5.1%

(1) Numbers are annual averages.

(2) Data for the month of September 2015. Numbers are Preliminary.

Source: U.S. Bureau of Labor Statistics, October 2015.

Covered Wage and Salary Employment by NAICS Code Classification

The New Mexico Department of Workforce Solutions publishes quarterly reports of covered employment and wages. Employment is classified according to the [North American Industry Classification System \(NAICS\)](#). Below is a five-year history of the Average Annual Covered Wage and Salary Employment in Eddy County.

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽¹⁾</u>
Grand Total	24,767	25,190	26,410	27,828	28,496
Total Private	21,079	21,545	22,783	24,161	24,696
Accommodation and Food Services	1,926	1,990	2,068	2,269	2,222
Administrative and Waste Services	1,555	1,401	1,254	1,276	1,259
Agriculture, Forestry, Fishing & Hunting	380	394	400	400	331
Arts, Entertainment, and Recreation	234	222	216	216	205
Construction	1,995	1,982	1,960	2,124	2,269
Educational Services	2,076	2,049	2,018	2,067	2,170
Finance and Insurance	667	508	497	506	499
Health Care and Social Assistance	2,766	2,755	2,669	2,680	2,685
Information	273	283	292	269	262
Management of Companies and Enterprises	*	*	185	181	137
Manufacturing	854	818	856	883	916
Mining	4,888	5,570	6,593	7,275	7,489
Other Services, Ex. Public Admin	716	735	772	681	706
Professional and Technical Services	537	496	542	552	715
Public Administration	1,177	1,142	1,098	1,097	1,126
Real Estate and Rental and Leasing	471	330	385	502	515
Retail Trade	2,415	2,560	2,608	2,659	2,730
Transportation and Warehousing	805	917	1,062	1,237	1,234
Utilities	300	297	308	344	357
Wholesale Trade	610	599	629	611	670
Total Government	3,688	3,645	3,627	3,667	3,800
Federal	784	691	631	606	592
State	554	532	541	538	530
Local	2,350	2,422	2,455	2,523	2,678

(1) Data as of First Quarter of 2015

* Withheld to avoid disclosing confidential data. Data that are not disclosed for individual industries are always included in the totals. Therefore, the individual industries may not sum to the totals.

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

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

Major Employers

The following is a list of major employers and employment resources for Carlsbad and Eddy County.

<u>Employer</u>	<u>Type of Business</u>	<u># of Employees</u>
WIPP (West Isolation Pilot Plant) ⁽¹⁾	Mining	1,200
Intrepid Potash	Potash Mine	800
Carlsbad Municipal Schools	Education	757
Mosaic Potash	Potash Mine	420
Carlsbad Medical Center	Hospital	446
Walmart	Retail	329
Constructors, Inc.	Oil & Gas	304
Devon Energy	Oil & Gas	290
Artesia General Hospital	Healthcare	275
Concho Resources	Oil & Gas	269

(1) WIPP and related contractors

Source: Carlsbad Department of Development. Data as of October 2015.

<http://www.developcarlsbad.org/index.aspx?nid=493>

<u>Industry</u>	<u>Total Employees in Industry</u>
Hospitality	2,574
Construction	2,450
Oil & Gas	2,385
Education	1,765
Healthcare	1,427
Nuclear	1,417
Mining	1,409
Manufacturing	918
Retail	895
Local Government	828
Agriculture	455
Utility & Telecommunications	300
Banking	260
Federal Government	244
Social Services	182
Engineering	79

Source: Carlsbad Department of Development, November 2015

APPENDIX B

JUNE 30, 2015 AUDITED FINANCIAL STATEMENTS



STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT NO. 20
ANNUAL FINANCIAL REPORT
JUNE 30, 2015



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
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Carlsbad Municipal School District No. 20
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June 30, 2015

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STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Official Roster
June 30, 2015

<u>Name</u>		<u>Title</u>
	<u>Board of Education</u>	
Abel Montoya		Board President
Andrew Harris		Board Vice President
Dr. Doris Bruton Carleton		Board Secretary
Ron Singleton		Board Member
Steve West		Board Member
	<u>School Officials</u>	
Gary Perkowski		Superintendent
Laura Garcia		Director of Finance

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget
The Board of Education
Carlsbad Municipal School District No. 20
Carlsbad, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue fund of Carlsbad Municipal School District No. 20 (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds, the combining financial statements for the General Fund, and the budgetary comparisons for the major capital projects funds, major debt service fund, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund, and the combining financial statements for General Fund of the District as of June 30, 2015, and the respective changes in financial position thereof, and the respective budgetary comparisons for the major capital projects funds, major debt service fund, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 12 through 17 and Supporting Schedules I and II on pages 64 through 66 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 Department 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 District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section, the Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations* and Supporting Schedules III through VIII required by section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI 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 financial statements. Schedules III through VI have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI required by section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and Schedules VII and VIII have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, 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 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 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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
October 16, 2015

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Management's Discussion and Analysis
June 30, 2015

Introduction

This discussion and analysis of Carlsbad Municipal School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014-15 are as follows:

- Capital assets increased from \$120,728,622 in the year ending June 30, 2014 to \$ 125,639,470 in the year ending June 30, 2015. This increase is attributed to an increase in construction in progress which increased from \$682,991 in the year ending June 30, 2014 to \$3,060,988 in the year ending June 30, 2015.
- Accumulated depreciation as of June 30, 2015 totaled \$55,229,672. This includes current year depreciation of \$3,820,884 for assets currently in service.
- The overall fund balance increased from \$59,980,772 for the year ending June 30, 2014 to \$67,674,688 for the year ending June 30, 2015. The increase is primarily attributed to the prior year \$30 million General Obligation Bond sale for the construction of up to four (4) new elementary schools. The District has \$27,538,570 of unspent bond proceeds.
- The net position of the District decreased by \$59,967,370 in FY15. Total assets from governmental activities were \$133,024,327 for the year ended June 30, 2014, increasing to \$143,702,741 for the year ended June 30, 2015. Current assets increased by \$14,632,175, while non-current assets decreased by \$3,954,031.
- Total liabilities from governmental activities increased by \$70,719,225. The increase can be primarily attributed to the net pension liability in the amount of \$72,050,819 due to the implementation of GASB Statement No. 68. Current liabilities increased by approximately \$4,832,064.
- Deferred outflows of resources of \$5,161,306 related to employer contributions subsequent to the measurement date and \$2,535,479 related change in proportion and deferred inflows of resources of \$1,073,307 related to actuarial experience and \$6,549,767 related to investment experience. These are related to the pension plan that is reported in the Statement of Net Position at June 30, 2015. These items are the result of the implementation of GASB 68 as it relates to the District's proportionate share of the NM Educational Retirement Board Pension Plan, a multiple employer cost sharing defined benefit pension plan.
- The District had approximately \$72 million in expenses related to governmental activities. Approximately \$13 million of these expenses were offset by program specific charges for services, grants and contributions. General revenues (primarily State Equalization Guarantee, property taxes and oil & gas taxes) of approximately \$70 million were adequate to provide for these programs.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Management's Discussion and Analysis
June 30, 2015

Condensed Statement of Net position:

	June 30, 2015 Governmental Activities	June 30, 2014 Governmental Activities
Current assets	\$ 42,138,762	\$ 27,506,587
Noncurrent assets	101,563,709	105,517,740
Total assets	<u>143,702,471</u>	<u>133,024,327</u>
Deferred outflow of resources	<u>7,696,785</u>	-
Total deferred outflow of resources	<u>7,696,785</u>	<u>-</u>
Current liabilities	10,700,963	5,868,899
LT- liabilities	<u>108,887,565</u>	<u>43,000,404</u>
Total liabilities	<u>119,588,528</u>	<u>48,869,303</u>
Deferred inflow of resources	<u>7,623,074</u>	-
Total deferred inflows of resources	<u>7,623,074</u>	<u>-</u>
Net investment in capital assets	58,093,368	57,216,401
Restricted	59,707,839	48,623,401
Unrestricted	(93,613,553)	(21,684,778)
Total net position	<u>\$ 24,187,654</u>	<u>\$ 84,155,024</u>

Condensed Statement of Activities:

	June 30, 2015 Governmental Activities	June 30, 2014 Governmental Activities
Revenue:		
Charges for services	\$ 2,963,142	\$ 2,061,318
Operating Grant	9,272,373	8,903,555
Capital Grant	840,446	464,141
General Revenues		
Taxes	20,473,531	13,665,844
State Aid	49,675,067	47,180,304
Other	86,330	(214,762)
Total Revenue	<u>83,310,889</u>	<u>72,060,400</u>
Expenses:		
Instruction	39,543,227	37,157,827
Support Services:		
Students	14,900,217	12,071,934
Central Services	2,092,385	1,633,353
Operation and maintenance of plant	8,686,701	11,023,569
Student transportation	1,672,694	1,579,362
Operation of non-support services:		
Food Services	3,629,363	4,009,739
Community Services	97,074	74,802
Interest on long term debt	<u>1,386,721</u>	<u>462,094</u>
Total expense	<u>72,008,382</u>	<u>68,012,680</u>
Increase in net position	<u>\$ 11,302,507</u>	<u>\$ 4,047,720</u>

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Management's Discussion and Analysis
June 30, 2015

Using the Basic Financial Statements

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

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

Statement of Net position and Statement of Activities

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

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

In the Statement of Net position and the Statement of Activities, the School District reports only governmental activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds identified for FY15 are the General Fund, IDEA-B cluster, Bond Building, HB-33 Capital Improvements, Debt Service and the SB-9 Capital Improvements Fund.

Governmental Funds

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

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Management's Discussion and Analysis
June 30, 2015

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The Statement of Activities, 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. Approximately 98% percent of total primary government expenses are supported through general revenues. This is an increase from the prior year, primary due to an increase in the tax revenue collected in the current year.

The School District's food service operation is dependent upon revenues from federal sources. The School District's food service operation had revenues of \$3,775,991 and expenses of \$3,608,972 for fiscal year 2015. This year the food service operation experienced excess of revenues over expenditures of \$167,019 in program operations. The food service operation receives no support from tax revenues.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of approximately \$82.3 million and expenditures of \$76.8 million. Total other financing sources were \$2.1 million. The net change in fund balance for the year was an increase of \$7.6 million.

General Fund Budgeting Highlights

The School District's budget is prepared in compliance with New Mexico statute and New Mexico Public Education Department regulation and is based on revenue and expenditure trends, current year projections for certain transactions including cash receipts, disbursements, and encumbrances and is driven by the Educational Plan for Student Success. The budget development process requires the creation of District and School budget advisory committees with representation from all stakeholder groups. The primary focus of the District's budget development process is the General Fund due to funding challenges, legislative mandates for the educational programs and provision of student services, staffing and other operating decisions.

During the course of fiscal year 2015, the School District amended its budget as needed.

The following table examines the summary budget performance of the general fund and the major special revenue fund for the fiscal year ending June 30, 2015.

	Original Budget- Expenditures	Final Budget- Expenditures
General Fund	\$ 59,732,490	\$ 62,193,989
Entitlement IDEA-B Fund	1,304,806	1,661,752
Total	61,037,296	63,855,741

	Original Budget- Revenues	Final Budget- Revenues
General Fund	\$ 52,020,974	\$ 53,918,733
Entitlement IDEA-B Fund	1,304,806	1,661,752
Total	53,325,780	55,580,485

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Management's Discussion and Analysis
June 30, 2015

General Fund Budgeting Highlights-continued

For the General Fund, final budgeted revenues were approximately \$53.9 million while actual revenues were approximately \$54.9 million. Total revenues from state sources amounted to \$52.3 million or 95% of the total. The excess of expenditures over revenues was (\$1,981,869) for fiscal year 2015.

Final General Fund expenditures were budgeted at \$62.1 million while actual expenditures were \$56.9 million. The favorable variance between final budget and actual expenditures was approximately \$5.2 million.

The General Fund is predominately funded by revenues from the State of New Mexico as allocated through the State Equalization Guarantee (SEG) formula, the Transportation formula and Instructional Materials awards. This fund covers the costs for employee salaries and benefits, fixed costs including utilities and insurance, school and department operating allocations, student transportation contracts, adopted and non-adopted instructional materials and reserves.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2015, the District had approximately \$125.6 million invested in capitalized assets with associated accumulated depreciation of \$55.2 million (see note 7). The value of District owned land and buildings were adjusted to correspond to historical cost or appraised value (if historical cost was not available).

Debt

The total principal amount paid for outstanding debt for the year ending June 30, 2015 was \$3,435,000; a decrease from the \$5,170,000 principal paid for outstanding debt for the year ending June 30, 2014.

The District had outstanding bonds payable in the amount of \$39,855,000 for the year ending June 30, 2015. In addition, the District accrues compensated absences for employee vacation and other compensatory time. At year end, the compensated absences were valued at \$484,702.

Economic Factors and Next Year's Budget

Carlsbad Municipal School is located in Eddy County. Eddy County has a strong and balanced economy. With the expansion of the oil & gas industry in Southeastern New Mexico, unemployment rates in the area have declined. The recruitment and retention of District employees has been a challenge since wages paid by the private sectors has pulled from the potential employee pool. In addition, the lack of adequate and affordable housing for new employees moving to the area has negatively impacted employee recruitment retention.

Eddy County's population continues to increase and the student enrollment in Carlsbad Municipal School District continues to grow. From 2006 to 2009, the District experienced declines in enrollment. At the time, the student population was projected to stabilize and in 2009-10. In 2010-11, the District experienced an unexpected increase in enrollment and the student population has continued to grow steadily since then. The rate of growth has exceeded 1% for the five (5) most recent years. The rate of growth has qualified the District for additional funding through the State Equalization Formula. The final student enrollment count for 2014-15 was 6,336. This was an increase of 123 students over the final enrollment count of 6,213 in 2013-14. Projected enrollment for 2015-16 is 6,567. Student enrollment growth is expected to continue in the coming years.

Carlsbad Municipal Schools received approximately 38% of the 2014-15 approved annual operating budget from the State of New Mexico through the State Equalization Guaranteed Funding. This percentage of the total budget dropped from the prior year due to increased capital funding related to the General Obligation Bonds earmarked for the construction of up to four (4) new elementary schools.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Management's Discussion and Analysis
June 30, 2015

The objectives of the SEG funding formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in an objective manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The basis for the formula is in the number of students enrolled. Weighting factors are assigned to students that receive special services, i.e., special education and bilingual education services, as well as other factors based on the training and experience of the teaching staff and the District's at-risk population.

Carlsbad Municipal Schools continues to seek community partnerships to support the implementation and expansion of instructional programs and student support services. Community partnerships with various governmental agencies including the City of Carlsbad and Eddy County, service organizations including United Way of Carlsbad, the Daniels Fund/Bridge of Southern New Mexico and parent organizations, area potash mining companies, Devon Energy, Chevron and other individuals and businesses were established. These partnerships have resulted in shared funding arrangements for the start-up and continuation of the Eddy Alternative School and the Carlsbad Early College High School. Community partners, through their service on various District Advisory Committees, assisted in guiding program decisions through their recommendations. This work resulted in the re-design of the substitute pay and placement system and the re-establishment of the Freshman Academy to the original design. The District's community partnerships are greatly valued and community involvement will continue to be a priority for the District.

Contacting the School District's Financial Management

The financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions about this report or requests for additional financial information may be directed to:

Laura Garcia
Director of Finance
Carlsbad Municipal Schools
408 N. Canyon
Carlsbad, NM 88220
Laura.Garcia@carlsbad.k12.nm.us
(575) 234-3300, Ext. 1016

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Statement of Net Position
June 30, 2015

	Governmental Activities	Component Unit
Assets		
Current assets		
Cash and cash equivalents	\$ 37,356,342	\$ 226,502
Receivables:		
Taxes	2,337,738	-
Due from other governments	2,079,567	20,624
Other	1,306	-
Inventory	363,809	-
Total current assets	42,138,762	247,126
Noncurrent assets		
Unspent bond proceeds	27,538,570	-
Restricted cash and cash equivalents	3,615,341	-
Capital assets	125,639,470	124,614
Less: accumulated depreciation	(55,229,672)	(118,319)
Total noncurrent assets	101,563,709	6,295
Total assets	143,702,471	253,421
Deferred outflows of resources		
Employer contributions subsequent to the measurement date	5,161,306	164,554
Change in proportion	2,535,479	-
Total deferred outflows of resources	7,696,785	164,554
Total assets and deferred outflows of resources	\$ 151,399,256	\$ 417,975

The accompanying notes are an integral part of these financial statements

	Governmental Activities	Component Unit
Liabilities		
Current liabilities		
Accounts payable	\$ 812,321	\$ 4,459
Accrued payroll	3,194,450	176,889
Accrued interest	664,952	-
Current portion of accrued compensated absences	229,240	-
Current portion of bonds payable	5,800,000	-
Total current liabilities	10,700,963	181,348
Noncurrent liabilities		
Accrued compensated absences	255,462	-
Bond premiums, net of amortization of \$218,001	2,526,284	-
Bonds payable	34,055,000	-
Net pension liability	72,050,819	2,240,061
Total noncurrent liabilities	108,887,565	2,240,061
Total liabilities	119,588,528	2,421,409
Deferred inflows of resources		
Change in proportion	-	108,566
Actuarial experience	1,073,307	33,369
Investment experience	6,549,767	203,631
Total deferred inflows of resources	7,623,074	345,566
Net position		
Net investment in capital assets	58,093,368	6,295
Restricted for:		
Special revenue	2,267,836	18,866
Debt service	10,872,503	-
Capital projects	46,567,500	28,069
Unrestricted	(93,613,553)	(2,402,230)
Total net position	24,187,654	(2,349,000)
Total liabilities, deferred inflows of resources and net position	\$ 151,399,256	\$ 417,975

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction	\$ 39,543,227	\$ 1,300,538	\$ 4,556,861	\$ -
Support services	14,900,217	594,090	447,489	840,446
Central services	2,092,385	-	-	-
Operation and maintenance of plant	8,686,701	-	-	-
Student transportation	1,672,694		1,560,658	-
Food services operations	3,629,363	1,068,514	2,707,365	-
Community services operations	97,074	-	-	-
Interest on long-term debt	1,386,721	-	-	-
Total governmental activities	\$ 72,008,382	\$ 2,963,142	\$ 9,272,373	\$ 840,446
Component Unit Activities:				
Jefferson Montessori Academy	\$ 2,331,370	\$ 36,847	\$ 139,998	\$ 165,913

General Revenues:

Taxes:

Property taxes, levied for operating programs
Property taxes, levied for debt services
Property taxes, levied for capital projects
Oil and gas
State equalization guarantee
Interest and investment earnings
Proceeds from the sale of inventoriable assets
Miscellaneous
Loss on disposal of capital assets

Subtotal, general revenues

Change in net position

Net position, beginning

Restatement (Note 14)

Net position, beginning of the year as restated

Net position, ending

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component Unit
Governmental Activities	Charter School
\$ (33,685,828)	\$ -
(13,018,192)	-
(2,092,385)	-
(8,686,701)	-
(112,036)	-
146,516	-
(97,074)	-
(1,386,721)	-
(58,932,421)	-
-	(1,988,612)
531,051	-
6,528,964	-
4,469,239	-
8,944,277	-
49,675,067	1,854,175
59,307	-
35,000	-
129,160	205
(137,137)	-
70,234,928	1,854,380
11,302,507	(134,232)
84,155,024	253,474
(71,269,877)	(2,468,242)
12,885,147	(2,214,768)
\$ 24,187,654	\$ (2,349,000)

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Entitlement IDEA-B	Bond Building
<i>Assets</i>			
Cash and cash equivalents	\$ 13,116,531	\$ -	\$ 27,538,570
Receivables:			
Taxes	146,758	-	-
Due from other governments	-	603,464	-
Other	-	-	-
Inventory	253,567	-	-
Due from other funds	1,457,737	-	-
	<u>\$ 14,974,593</u>	<u>\$ 603,464</u>	<u>\$ 27,538,570</u>
<i>Total assets</i>			
	<u>\$ 14,974,593</u>	<u>\$ 603,464</u>	<u>\$ 27,538,570</u>
<i>Liabilities, deferred inflows and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 137,058	\$ 49	\$ 4,501
Accrued payroll	2,876,814	113,103	-
Due to other funds	-	490,312	-
	<u>3,013,872</u>	<u>603,464</u>	<u>4,501</u>
<i>Total liabilities</i>			
	<u>3,013,872</u>	<u>603,464</u>	<u>4,501</u>
<i>Deferred inflows</i>			
Unavailable revenue	103,831	-	-
	<u>103,831</u>	<u>-</u>	<u>-</u>
<i>Total deferred inflows</i>			
	<u>103,831</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable:			
Inventory	253,567	-	-
Spendable:			
Restricted for:			
Educational purposes	-	-	-
Food services	-	-	-
Capital acquisitions and improvements	-	-	27,534,069
Debt service	-	-	-
Committed for:			
Subsequent years' expenditures	11,603,323	-	-
Unassigned	-	-	-
	<u>11,856,890</u>	<u>-</u>	<u>27,534,069</u>
<i>Total fund balances</i>			
	<u>11,856,890</u>	<u>-</u>	<u>27,534,069</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ 14,974,593</u>	<u>\$ 603,464</u>	<u>\$ 27,538,570</u>

The accompanying notes are an integral part of these financial statements

Capital Improvements HB-33	Capital Improvements SB-9	Debt Service	Other Governmental Funds	Total
\$ 9,365,646	\$ 4,387,585	\$ 10,534,516	\$ 3,567,405	\$ 68,510,253
593,896	551,986	1,045,098	-	2,337,738
-	311,192	-	1,164,911	2,079,567
-	-	-	1,306	1,306
-	-	-	110,242	363,809
-	-	-	42	1,457,779
<u>\$ 9,959,542</u>	<u>\$ 5,250,763</u>	<u>\$ 11,579,614</u>	<u>\$ 4,843,906</u>	<u>\$ 74,750,452</u>
\$ 137,188	\$ 240,713	\$ -	\$ 292,812	\$ 812,321
-	-	-	204,533	3,194,450
-	-	-	967,467	1,457,779
<u>137,188</u>	<u>240,713</u>	<u>-</u>	<u>1,464,812</u>	<u>5,464,550</u>
<u>419,317</u>	<u>380,955</u>	<u>707,111</u>	<u>-</u>	<u>1,611,214</u>
<u>419,317</u>	<u>380,955</u>	<u>707,111</u>	<u>-</u>	<u>1,611,214</u>
-	-	-	110,242	363,809
-	-	-	973,180	973,180
-	-	-	1,294,456	1,294,456
9,403,037	4,629,095	-	1,001,299	42,567,500
-	-	10,872,503	-	10,872,503
-	-	-	-	11,603,323
-	-	-	(83)	(83)
<u>9,403,037</u>	<u>4,629,095</u>	<u>10,872,503</u>	<u>3,379,094</u>	<u>67,674,688</u>
<u>\$ 9,959,542</u>	<u>\$ 5,250,763</u>	<u>\$ 11,579,614</u>	<u>\$ 4,843,906</u>	<u>\$ 74,750,452</u>

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STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2015

Exhibit B-1
Page 2 of 2

Amounts reported for governmental activities in the Statement of
Net Position are different because:

Fund balances - total governmental funds	\$ 67,674,688
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	70,409,798
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	1,611,214
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds	
Deferred outflows of resources related to employer contributions subsequent to the measurement date	5,161,306
Deferred outflows of resources related to changes in proportion	2,535,479
Deferred inflows of resources related to actuarial experience	(1,073,307)
Deferred inflows of resources related to investment experience	(6,549,767)
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:	
Accrued interest	(664,952)
Some liabilities, including bonds payable, the net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences	(484,702)
Bond premiums	(2,526,284)
Bonds payable	(39,855,000)
Net pension liability	(72,050,819)
Total net position - governmental activities	<u>\$ 24,187,654</u>

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Entitlement IDEA-B	Bond Building
<i>Revenues</i>			
Taxes	\$ 1,218,787	\$ -	\$ -
Intergovernmental revenue			
Federal flowthrough	74,262	1,458,657	-
Federal direct	44,210	-	-
Local	-	-	-
State flowthrough	50,244,653	-	-
State direct	508,240	-	-
Transportation distribution	1,560,658	-	-
Charges for services	1,275,678	-	-
Investment income	18,073	-	23,717
Miscellaneous	91	-	-
<i>Total revenues</i>	<u>54,944,652</u>	<u>1,458,657</u>	<u>23,717</u>
<i>Expenditures</i>			
Current			
Instruction	32,174,780	1,159,519	-
Support services	13,003,334	257,562	38,241
Central services	1,997,501	35,422	-
Operation and maintenance of plant	5,231,666	-	-
Student transportation	1,610,685	-	-
Food services operations	104,994	-	-
Community services operations	88,284	-	-
Capital outlay	277,699	6,154	2,395,149
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>54,488,943</u>	<u>1,458,657</u>	<u>2,433,390</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>455,709</u>	<u>-</u>	<u>(2,409,673)</u>
<i>Other financing sources (uses)</i>			
Bond proceeds	-	-	-
Proceeds from the sale of inventorable assets	35,000	-	-
<i>Total other financing sources (uses)</i>	<u>35,000</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	490,709	-	(2,409,673)
<i>Fund balances - beginning</i>	<u>11,366,181</u>	<u>-</u>	<u>29,943,742</u>
<i>Fund balances - ending</i>	<u>\$ 11,856,890</u>	<u>\$ -</u>	<u>\$ 27,534,069</u>

The accompanying notes are an integral part of these financial statements

Capital Improvements HB-33	Capital Improvements SB-9	Debt Service	Other Governmental Funds	Total
\$ 4,972,786	\$ 4,975,033	\$ 8,243,908	\$ -	\$ 19,410,514
-	-	-	3,948,278	5,481,197
-	-	-	489,060	533,270
-	-	-	123,857	123,857
-	311,647	-	679,732	51,236,032
-	-	-	344,632	852,872
-	-	-	-	1,560,658
-	-	-	1,687,464	2,963,142
16,348	-	656	513	59,307
-	14,258	-	114,811	129,160
<u>4,989,134</u>	<u>5,300,938</u>	<u>8,244,564</u>	<u>7,388,347</u>	<u>82,350,009</u>
-	-	-	2,217,546	35,551,845
-	570,036	39,921	485,235	14,394,329
-	-	-	-	2,032,923
-	2,247,308	-	1,263,446	8,742,420
-	-	-	23,800	1,634,485
-	-	-	3,645,984	3,750,978
-	-	-	-	88,284
2,019,446	623,467	-	614,338	5,936,253
-	-	3,435,000	-	3,435,000
-	-	1,224,575	-	1,224,575
<u>2,019,446</u>	<u>3,440,811</u>	<u>4,699,496</u>	<u>8,250,349</u>	<u>76,791,092</u>
<u>2,969,688</u>	<u>1,860,127</u>	<u>3,545,068</u>	<u>(862,002)</u>	<u>5,558,917</u>
-	-	-	2,100,000	2,100,000
-	-	-	-	35,000
-	-	-	2,100,000	2,135,000
2,969,688	1,860,127	3,545,068	1,237,998	7,693,917
<u>6,433,349</u>	<u>2,768,968</u>	<u>7,327,435</u>	<u>2,141,096</u>	<u>59,980,771</u>
<u>\$ 9,403,037</u>	<u>\$ 4,629,095</u>	<u>\$ 10,872,503</u>	<u>\$ 3,379,094</u>	<u>\$ 67,674,688</u>

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STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Governmental Funds

Exhibit B-2
Page 2 of 2

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2015

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

Net change in fund balances - total governmental funds	\$ 7,693,917
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay	5,936,253
Depreciation expense	(3,820,884)
Loss on disposal of capital assets	(137,137)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Increase in deferred inflows related to unavailable property taxes	1,063,017
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Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds:

Decrease in accrued compensated absences	101,719
Increase in accrued interest	(380,147)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

District pension contribution	5,161,306
Pension expense	(5,868,537)

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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Amortization of premiums	218,000
Bond proceeds	(2,100,000)
Principal payments on bonds	3,435,000

Change in net position of governmental activities	<u>\$ 11,302,507</u>
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The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

Carlsbad Municipal School District No. 20

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes	\$ 894,410	\$ 894,410	\$ 1,254,021	\$ 359,611
Intergovernmental revenue				
Federal flowthrough	60,000	60,000	74,262	14,262
State flowthrough	49,113,762	50,399,999	50,244,653	(155,346)
State direct	97,065	97,065	508,240	411,175
Transportation distribution	1,480,487	1,610,713	1,560,658	(50,055)
Charges for services	355,250	836,546	1,275,678	439,132
Investment income	20,000	20,000	18,073	(1,927)
Miscellaneous	-	-	91	91
<i>Total revenues</i>	<u>52,020,974</u>	<u>53,918,733</u>	<u>54,979,886</u>	<u>1,061,153</u>
<i>Expenditures</i>				
Current				
Instruction	35,220,250	36,255,274	34,728,370	1,526,904
Support services	13,124,750	14,655,693	13,032,669	1,623,024
Central services	2,212,585	2,803,785	1,985,389	818,396
Operation and maintenance of plant	7,393,324	6,416,666	5,237,609	1,179,057
Student transportation	1,480,487	1,610,714	1,610,712	2
Food services operations	6,000	6,000	1,023	4,977
Community services operations	95,094	95,094	84,509	10,585
<i>Total expenditures</i>	<u>59,732,490</u>	<u>62,193,989</u>	<u>56,961,755</u>	<u>5,232,234</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(7,711,516)</u>	<u>(8,275,256)</u>	<u>(1,981,869)</u>	<u>6,293,387</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	7,711,516	8,275,256	-	(8,275,256)
Transfers in (out)	-	-	-	-
Proceeds from the sale of capital assets	-	-	35,000	35,000
<i>Total other financing sources (uses)</i>	<u>7,711,516</u>	<u>8,275,256</u>	<u>35,000</u>	<u>(8,240,256)</u>
<i>Net change in fund balances</i>	-	-	(1,946,869)	(1,946,869)
<i>Fund balances - beginning</i>	-	-	13,644,323	13,644,323
<i>Fund balances - ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,697,454</u>	<u>\$ 11,697,454</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ (1,946,869)
Adjustments to revenues for property taxes, oil and gas taxes and state flowthrough grants				(35,234)
Adjustments to expenditures for salaries, general supplies and materials, and other contract services				<u>2,472,812</u>
<i>Net change in fund balances (GAAP Basis)</i>				<u>\$ 490,709</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

Carlsbad Municipal School District No. 20
Entitlement IDEA-B Special Revenue Fund
Statement of Revenue, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue				
Federal flowthrough	1,304,806	1,661,752	1,413,037	(248,715)
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,304,806</u>	<u>1,661,752</u>	<u>1,413,037</u>	<u>(248,715)</u>
<i>Expenditures</i>				
Current				
Instruction	1,095,556	1,299,718	1,258,669	41,049
Support services	159,619	306,405	259,043	47,362
Central services	44,631	49,474	35,414	14,060
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	5,000	6,155	6,153	2
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,304,806</u>	<u>1,661,752</u>	<u>1,559,279</u>	<u>102,473</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(146,242)</u>	<u>(146,242)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(146,242)</u>	<u>(146,242)</u>
<i>Fund balances - beginning</i>	<u>-</u>	<u>-</u>	<u>(457,173)</u>	<u>(457,173)</u>
<i>Fund balances - ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (603,415)</u>	<u>\$ (603,415)</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ (146,242)
Adjustments to revenues for federal flowthrough grants				45,620
Adjustments to expenditures for general supplies and materials				<u>100,622</u>
<i>Net change in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

Exhibit D-1

Assets

Cash and cash equivalents	<u>\$ 63,300</u>
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<i>Total assets</i>	<u><u>\$ 63,300</u></u>
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Liabilities

Deposits held in trust for others	<u>\$ 63,300</u>
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<i>Total liabilities</i>	<u><u>\$ 63,300</u></u>
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The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies

Carlsbad Municipal School District No. 20 ("District") is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the City of Carlsbad and surrounding area. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements and notes of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 the governmental units. The more significant of the District's accounting policies are described below.

During the year ended June 30, 2015, the District adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* ("GASB 68"), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* ("GASB 71"). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability ("NPL") measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity*

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 amended by GASB Statements No. 39 and No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion in the reporting entity. Based upon the application of these criteria, the District has one component unit and is not a component unit of another government agency.

The District's Board of Education approved the Jefferson Montessori Academy Charter School for operations in accordance with the criteria listed above. The charter school is deemed to be fiscally dependent upon the District and has been deemed to be a separate legal entity based on state statute and is presented as a discrete component unit. The discretely presented component unit does not have separately issued financial statements.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

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

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

Separate 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
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

C. *Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions should be recognized when the related purpose restriction, eligibility requirement or time requirement is met in accordance with GASB 33 and GASB 65. Property taxes are recognized as revenues in the year for which they are levied. 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 government 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.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property tax receivables are recognized in the period for which the taxes are levied, net of estimated refunds and uncollectible amounts. Oil and gas taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. All other revenue items are considered to be measurable and available only when cash is received by the government. Unavailable revenues are classified as a deferred inflow of resources.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by the District's school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

The *Entitlement IDEA-B Special Revenue fund* 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. The funding is authorized by the 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* is used to account for the erecting, remodeling, additions and furnishings of school buildings. This particular Bond Building Fund is for the bonds issued in 2007.

The *Capital Improvements SB-9 Capital Projects Fund* is used to account for expenditures of property taxes levied and state matching funds restricted to maintenance and capital improvement projects as adopted by school board resolution. Authority for creation of this fund is NMSA 22-25-1 to 22-25-10.

The *Capital Improvements HB-33 fund* is used to account for two mill levy funds authorized by the Public School Capital Improvement Act. The levy must be voted on by local residents and allows the District to impose a property tax.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *Debt Service* fund is used to accumulate resources for payment of principal and interest due on general obligation bonds. Financing is provided by a special tax levy approved by the voters, and assessed by the County Assessor and collected and remitted to the District by the County Treasurer.

Additionally, the District reports the following agency fund:

The *Fiduciary Funds* account for assets held by the District in a trustee capacity or as an agent for individual, private organizations, other governments and/or other funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Assets, Liabilities and Net Position

Deposits and 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 Schools to invest in Certificates of Deposit, obligations of the U.S. Government, and the Local Government Investment Pool. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of pool shares. As of June 30, 2015, the District does not have any investments with Local Governmental Investment Pool.

Restricted Assets: Certain proceeds of the District's revenue bonds and general obligation bonds are classified as restricted assets on the balance sheet because their use is limited by the applicable bond covenants. The Bond Building fund has \$27,538,570 in unspent bond proceeds as of June 30, 2015. Also the debt service fund reports \$3,615,341 in cash which cannot be used for general operations.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

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 from Eddy County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2015 is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2015. Period of availability is deemed to be sixty days subsequent to year end. The portion of property taxes receivable not collected within 60 days is classified as a deferred inflow.

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.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Inventory: The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer recognition of the expenditures until the period in which the inventories actually are consumed. Inventory in the General Fund consists of expendable supplies held for consumption. Inventory in the Food Service Special Revenue Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as expenditures at the time individual inventory items are consumed.

U.S.D.A. commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

Capital Assets: Capital assets, which include property, plant, and equipment, 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 (amount not rounded) 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. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). The District does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Library books are deemed to have useful lives of one year and 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. Construction projects paid for by the Public School Capital Outlay Council are included in the District's capital assets.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	20-50
Equipment	5-20

Deferred Inflow of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue - property taxes, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$1,611,214 related to property taxes considered "unavailable." In addition, the District has two types of items presented on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, actuarial experience and investment experience, are reported on the Statement of Net Position in the amounts of \$1,073,307 and \$6,549,767 respectively. The Academy reports three types of deferred inflows due to the implementation of GASB 68. Accordingly, these items Change in Proportion, Actuarial experience, and Investment experience totaling, \$108,566, 33,369 and 203,631 respectively are reported in the Statement of Net Position.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion in the amount of \$2,535,479 and employer contributions subsequent to measurement date in the amount of \$5,161,306. The component unit has one type of item that qualify for reporting in this category. Accordingly, employer contributions subsequent to measurement date in the amount of \$164,554. These amounts are reported in the Statement of Net Position.

Pensions: For purposes 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 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 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.

Compensated Absences: The District permits administrative employees to accumulate a limited amount of earned but unused vacation, which will be paid if not used, upon termination from the District. Accumulated sick leave benefits vest with each employee in accordance with District policy. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service employees.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is 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 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or straight line method if the difference is inconsequential.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance Classification Policies and Procedures: The District has implemented GASB Statement No. 54 and has defined the various categories reported in fund balance. For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment is the Board of Education.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

For assigned fund balance, the Board of Education or an official or body to which the School Board of Education delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2015, the nonspendable fund balances in the general fund and food service fund are made up of inventory in the amount of \$253,567 and \$110,242, respectively, which are not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2015, the restricted fund balance on the governmental funds balance sheet is made up of \$55,707,639 for the purposes described on pages 38-39 and 70-73. The District also has committed funds of \$11,603,323 in the general fund rebudgeted for the subsequent year's expenditures. The District has no minimum fund balance policy. Residual amounts of fund balance are reported as unassigned in the general fund.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets:
Net investment in capital assets includes 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.
- b. Restricted:
This component consists of amounts 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 "special revenue," "debt service" and "capital projects" are described on pages 38-39 and 70-73.
- c. Unrestricted:
This component consists of all other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

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. The District's estimates include the useful lives of depreciable assets and the current portion of compensated absences. Accordingly, actual results could differ from those estimates.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

E. *Revenues*

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program costs." 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 \$49,675,067 in state equalization guarantee distributions during the year ended June 30, 2015.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$11,529,254 in property tax revenues during the year ended June 30, 2015. The amount is included in revenue from taxes reported in the statement of activities. 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. The District received \$8,944,277 in oil and gas tax revenues in fiscal year 2015.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$1,560,658 in transportation distributions during the year ended June 30, 2015.

Instructional Materials: The Public Education Department receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. The District received \$447,224 in instructional materials during the year ended June 30, 2015.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital 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 Schools under the Public School Capital Improvements Act. The distribution shall be made by December 1 of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. The District received \$311,647 in SB-9 match during the year ended June 30, 2015.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

E. *Revenues (continued)*

Public School Capital Outlay: The public school capital outlay fund was created under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used for: capital expenditures deemed by the public school capital outlay council to be necessary for an adequate education program per Section 22-24-4(B); core administrative function of the public school facilities authority and for project management expense upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L). Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved. The District did not receive any funds from PSCOC awards during the year ended June 30, 2015.

Federal Grants: The District receives revenues from various federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operates under its own budget, which has been approved by the Federal Department or the flowthrough agency (usually the New Mexico Public Education Department). 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 for its food services operations, and the distribution of commodities through the New Mexico Human Services Department.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Budgets for the General, Special Revenue, Debt Service, and Capital Projects 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 Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget at the function level. 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 District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Public Education Department.
2. In May or June, the budget is approved by the Board of Education.
3. The school board must certify the budget. The school board meeting is open for the general public unless a closed meeting has been called.
4. 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.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

5. 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.
6. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Budget basis expenditures exclude encumbrances.

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits a District from exceeding budgetary control at the function level. The District is required to balance its budgets each year.

NOTE 3. Deposits and Investments

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

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. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

Excess 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.

All of the District's accounts at an insured depository institution, including non-interest bearing accounts are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2015, \$58,610,831 of the District's bank balance of \$62,469,977 was subject to custodial credit risk. \$39,863,349 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. \$18,747,484 of the District's deposits were uninsured and uncollateralized at June 30, 2015.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 3. Deposits and Investments (continued)

	Western Commerce Bank	Wells Fargo Bank	Carlsbad National Bank	Total
Amount of deposits	\$ 37,147,058	\$ 7,229,387	\$ 18,093,532	\$ 62,469,977
Repurchase agreement	-	7,655,350	-	7,655,350
FDIC coverage	(10,764,496)	(250,000)	(500,000)	(11,514,496)
Total uninsured public funds	<u>26,382,562</u>	<u>14,634,737</u>	<u>17,593,532</u>	<u>58,610,831</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Uninsured and uncollateralized				
	<u>15,972,496</u>	<u>14,503,206</u>	<u>9,387,647</u>	<u>39,863,349</u>
	<u>\$ 10,410,066</u>	<u>\$ 131,531</u>	<u>\$ 8,205,885</u>	<u>\$ 18,747,482</u>
Collateral requirements				
(102% of repurchase agreement)	\$ -	\$ 7,808,457	\$ -	\$ 7,808,457
(50% of uninsured funds)	13,191,281	3,489,694	8,796,766	25,477,741
Pledged Collateral	<u>15,972,496</u>	<u>14,503,206</u>	<u>9,387,647</u>	<u>39,863,349</u>
Over (Under) collateralized	<u>\$ 2,781,215</u>	<u>\$ 3,205,056</u>	<u>\$ 590,881</u>	<u>\$ 6,577,153</u>

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

Reconciliation to the Statement of Net Position

The carrying amounts of deposits shown above are included in the District's Statement of Net Position as follows:

Cash and cash equivalents per Exhibit A-1	\$37,356,342
Unspent bond proceeds per Exhibit A-1	27,538,570
Restricted cash and cash equivalents per Exhibit A-1	3,615,341
Agency funds cash per Exhibit D-1	<u>63,300</u>
Total cash and cash equivalents	<u>68,573,553</u>
Less deposits in transit	(601,151)
Less petty cash	(1,000)
Add outstanding checks	2,178,213
Less other adjustments	<u>(24,288)</u>
Bank balance of deposits	<u>\$70,125,327</u>

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 3. Deposits and Investments (continued)

Component Unit:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Component Unit's deposits may not be returned to it. The Component Unit does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2015, there were no amounts of the component unit's bank balance of \$237,642 subject to custodial credit risk.

	Wells <u>Fargo Bank</u>
Amount of deposits	\$ 237,642
FDIC Insurance	<u>(237,642)</u>
Total uninsured public funds	\$ -
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Component Unit's name	<u>-</u>
Uninsured and uncollateralized	<u><u>\$ -</u></u>
Collateral requirement (50% of uninsured funds)	\$ -
Pledged Collateral	<u>-</u>
Over (Under) collateralized	<u><u>\$ -</u></u>

Reconciliation to the Statement of Net Position

The carrying amounts of deposits shown above are included in the component unit's statement of net position as follows:

Cash and cash equivalents per Exhibit A-1	<u>\$ 226,502</u>
Total cash and cash equivalents	<u>226,502</u>
Add: outstanding checks	11,340
Less: petty cash	<u>(200)</u>
Bank balance of deposits	<u><u>\$ 237,642</u></u>

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 4. Accounts Receivable

Primary Government:

Accounts receivable as of June 30, 2015, are as follows:

	General	Entitlement IDEA-B	Capital Improvements SB-9
Taxes receivable:			
Property taxes	\$ 109,845	\$ -	\$ 404,564
Oil and gas taxes	36,913	-	147,422
Due from other governments:			
State	-	-	311,192
Federal	-	603,464	-
Other receivables:			
Reimbursements	-	-	-
Totals by fund	<u>\$ 146,758</u>	<u>\$ 603,464</u>	<u>\$ 863,178</u>

	Capital Improvements HB-33	Debt Service	Other Governmental Funds	Total
Taxes receivable:				
Property taxes	\$ 446,243	\$ 759,295	\$ -	\$ 1,719,947
Oil and gas taxes	147,653	285,803	-	617,791
Due from other governments:				
State	-	-	571,196	882,388
Federal	-	-	593,715	1,197,179
Other receivables:				
Reimbursements	-	-	1,306	1,306
Totals by fund	<u>\$ 593,896</u>	<u>\$ 1,045,098</u>	<u>\$ 1,166,217</u>	<u>\$ 4,418,611</u>

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$1,611,214, which were recognized as receivables before time requirements were met, have been reclassified as deferred inflow within the governmental fund financial statements. All of the above receivables are deemed 100% collectible.

Component unit:

Accounts receivable as of June 30, 2015, are as follows:

	Food Services	Entitlement IDEA-B	IDEA-B Risk Pool	New Mexico Reads to Lead	Total
Due from other governments:					
State	\$ -	\$ -	\$ -	\$ 11,445	\$ 11,445
Federal	532	8,602	45	-	9,179
Totals by fund	<u>\$ 532</u>	<u>\$ 8,602</u>	<u>\$ 45</u>	<u>\$ 11,445</u>	<u>\$ 20,624</u>

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NOTE 5. Interfund Receivables, Payables

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. All interfund balances are to be repaid within one year. The composition of interfund balances during the year ended June 30, 2015 is as follows:

Primary Government:

<u>Due from Other Fund</u>	<u>Due to Other Fund</u>	<u>Amount</u>
General Fund	Entitlement IDEA-B	\$ 490,312
General Fund	Title I	394,525
General Fund	Preschool IDEA-B	10,170
General Fund	IDEA Private School Share	381
General Fund	IDEA-B "Risk Pool"	1,275
General Fund	Teacher/Principal Training & Recruiting	73,233
General Fund	Title I 1300A School Improvement	1,539
General Fund	Carl D Perkins Secondary - Current	23,573
General Fund	Carl D Perkins HSTW - Current	28,218
General Fund	Carl D Perkins HSTW- PY Unliquidated Obligations	66
General Fund	Dual Credit Instructional Materials	6,518
General Fund	2008 GO Bond Student Library Fund	1,455
General Fund	New Mexico Reads to Lead	28,836
General Fund	Special Capital Outlay-State & Local	397,636
Teacher/Principal Training & Recruiting	General Fund	<u>42</u>
Total Interfund Balances		<u><u>\$ 1,457,779</u></u>

Component Unit:

<u>Due from Other Fund</u>	<u>Due to Other Fund</u>	<u>Amount</u>
General Fund-operational	Entitlement IDEA-B	\$ 2,592
General Fund-operational	IDEA-B Risk Pool	45
General Fund-operational	New Mexico Reads to Lead	<u>2,507</u>
Total Interfund Balances		<u><u>\$ 5,144</u></u>

NOTE 6. Concentrations

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations

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NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2015 is as follows.

Primary Government:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,346,923	\$ -	\$ -	\$ 1,346,923
Construction in progress	682,991	3,060,988	(682,991)	3,060,988
Total capital assets not being depreciated	2,029,914	3,060,988	(682,991)	4,407,911
Capital assets being depreciated:				
Land improvements	13,604,271	719,611	-	14,323,882
Buildings and improvements	98,501,620	1,798,778	-	100,300,398
Equipment	6,592,817	1,026,974	(1,012,512)	6,607,279
Total capital assets being depreciated	118,698,708	3,545,363	(1,012,512)	121,231,559
Less accumulated depreciation:				
Land Improvements	4,386,255	589,121	-	4,975,376
Buildings and improvements	43,666,759	2,612,762	-	46,279,521
Equipment	4,244,042	619,001	(888,268)	3,974,775
Total accumulated depreciation	52,297,056	3,820,884	(888,268)	55,229,672
Total capital assets, net of depreciation	\$ 68,431,566	\$ 2,785,467	\$ (807,235)	\$ 70,409,798

In fiscal year 2014 a project included in construction in progress was cancelled. Total amount of expenditures related to the project totaled 12,893.

Depreciation expense for the year ended June 30, 2015 was charged to the following functions:

Direct Instruction	\$ 3,347,095
Support Services-Students	244,537
Central Services	11,462
Operation and maintenance of plant	106,984
Student Transportation	38,209
Food service operations	64,956
Community service operations	7,641
Total	<u>\$ 3,820,884</u>

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NOTE 7. Capital Assets (continued)

Component Unit:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets being depreciated:				
Furniture, fixtures and equipment	\$ 124,614	\$ -	\$ -	\$ 124,614
Less accumulated depreciation:				
Furniture, fixtures and equipment	(117,619)	(700)	-	(118,319)
Total capital assets, net of depreciation	<u>\$ 6,995</u>	<u>\$ (700)</u>	<u>\$ -</u>	<u>\$ 6,295</u>

NOTE 8. Long-term Debt

Primary Government

On June 24, 2004 the District issued general obligation bonds secured by ad valorem taxes to provide funds for the acquisition and construction of major capital facilities. The original amount of the issue was \$7,100,000. The bonds are issued with varying terms, interest rates that range between 2.5% to 4%, and varying amounts of principal maturing each year.

On November 20, 2007 the District issued general obligation bonds secured by ad valorem taxes to provide funds for purposes of purchasing, improving, renovating, remodeling, upgrading, and making additions to the heating and cooling systems in elementary and secondary schools, restrooms at P.R. Leyva Middle School auditorium, playground equipment at elementary schools, and outside lockers at Carlsbad High School. The original amount of the issue was \$7,100,000. The bonds are issued with varying terms, interest rates that range between 3.75% to 4%, and varying amounts of principal maturing each year.

On June 24, 2011 the District issued general obligation bonds secured by ad valorem taxes for purposes of providing funds for an on-going school building and renovation program, to purchase or improve schools grounds, to purchase computer software and hardware for student use in public schools, and to provide matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act. The original amount of the issue was \$7,000,000. The bonds are issued with varying terms, interest rates that range between 2% to 3.5%, and varying amounts of principal maturing each year.

On February 8, 2012 the District issued general obligation bonds secured by ad valorem taxes for purposes of a lease purchase of educational technology equipment. The original amount of the issue was \$740,000. The bonds are issued with varying terms, interest rates that range between .2% and .85%, with principal in the amount of \$140,000 maturing in 2013, and \$150,000 of principal maturing each subsequent year through 2017.

On May 21, 2014 the District issued general obligation bonds secured by ad valorem taxes for purposes of erecting, remodeling and making additions to and furnish school buildings within the District, to purchase or improve school grounds, to purchase computer software and hardware for student use in public schools, and to provide matching funds for capital outlay projects funded pursuant the Public School Capital Outlay Act. The original amount of the issue was \$30,000,000. The bonds are issued with varying terms, interest rates that range between 2.5% and 5% and varying amounts of principal maturing each year through August 1, 2027.

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NOTE 8. Long-term Debt (continued)

On August 20, 2014 the District issued Educational Technology Note Series 2014 secured by ad valorem taxes. The note was issued for an undivided interest in the right to receive certain rent payments. The original amount of the issue was \$2,100,000. The bonds are issued with interest rate of .20% and principal due and paid on August 21, 2014. All general obligation bonds as of June 30, 2015 are for governmental activities. The following is a summary of the long-term debt and the activity for the year ending June 30, 2015.

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Bonds	\$ 41,190,000	\$ 2,100,000	\$ 3,435,000	\$ 39,855,000	\$ 5,800,000
Compensated Absences	586,421	127,521	229,240	484,702	229,240
Total long-term debt	<u>\$ 7,248,287</u>	<u>\$ 2,227,521</u>	<u>\$ 3,664,240</u>	<u>\$ 40,339,702</u>	<u>\$ 6,029,240</u>

The final year of payment for bonds outstanding is fiscal year 2028. The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2015, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 5,800,000	\$ 1,458,910	\$ 7,258,910
2016	6,360,000	1,180,025	7,540,025
2017	2,275,000	987,244	3,262,244
2018	2,525,000	888,300	3,413,300
2019	11,300,000	764,294	12,064,294
2020-2024	7,170,000	1,853,300	9,023,300
2025-2028	<u>4,425,000</u>	<u>519,625</u>	<u>4,944,625</u>
	<u>\$ 39,855,000</u>	<u>\$ 7,651,698</u>	<u>\$ 47,506,698</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, 2015, compensated absences decreased by \$101,719 from the prior year accrual. In prior years, the general fund was typically used to liquidate long-term liabilities.

NOTE 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Therefore, the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). 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 for each property damage claim with a \$15,000 deductible per occurrence with a maximum annual deductible of \$60,000. 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 Securities, which include a \$750 deductible. In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. No settlements exceeded insurance coverage for 2015.

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June 30, 2015

NOTE 10. Deficit Fund Balances and Budget Noncompliance Issues

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2015:

Primary Government:

Non-Major Funds:

Athletics	\$ 83
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Component Unit:

None

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

Primary Government:

None

Component Unit:

None

- C. The following funds exceeded budgeted designated cash appropriations for the year ended June 30, 2015:

Primary Government:

None

Component Unit:

None

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NOTE 11. Pension Plan- Educational Retirement Board

General Information about the Pension Plan

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

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

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

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum 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

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NOTE 11. Pension Plan- Educational Retirement Board (continued)

disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

Contributions. The contribution requirements of plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District and component unit were \$5,161,306 and \$164,554, respectively, for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the District and the component unit reported a liability of \$72,050,819 and \$2,240,061 respectively for their proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the District's proportion was 1.26278 percent, which was a decrease of 0.05442 from its proportion measured as of June 30, 2013. At June 30, 2014, the component unit's proportion was 0.03926 percent, which was a decrease of 0.00233 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District and component unit recognized pension expense of \$5,868,537 and \$117,385, respectively. At the June 30, 2015, the District and component unit reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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NOTE 11. Pension Plan- Educational Retirement Board (continued)

Primary Government:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,073,307
Net difference between projected and actual earnings on pension plan investments	-	6,549,767
Changes in proportion and differences between District contributions and proportionate share of contribution	2,535,479	-
District's contributions subsequent to the measurement date	<u>5,161,306</u>	<u>-</u>
Total	<u>\$ 7,696,785</u>	<u>\$ 7,623,074</u>

Component Unit:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ -	\$ 33,369
Net difference between projected and actual earnings on pension plan investments	-	203,631
Changes in proportion and differences between Component Unit contributions and proportionate share of contribution	-	108,566
Component Unit's contributions subsequent to the measurement date	<u>164,554</u>	<u>-</u>
Total	<u>\$ 164,554</u>	<u>\$ 345,566</u>

\$5,161,306 reported as deferred outflows of resources related to pensions resulting from District contributions and \$164,554 reported as deferred outflows of resources related to pensions resulting from the component unit's contributions subsequent to the measurement date of June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

STATE OF NEW MEXICO
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Notes to Financial Statements
June 30, 2015

NOTE 11. Pension Plan- Educational Retirement Board (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Primary Government:

Year ended June 30:

2016	\$ (1,129,740)
2017	(1,129,740)
2018	(1,190,663)
2019	(1,637,452)
2020	-
Thereafter	-

Component Unit:

2016	\$ (100,191)
2017	(100,191)
2018	(94,277)
2019	(50,907)
2020	-
Thereafter	-

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

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

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contributions 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)

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Notes to Financial Statements
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NOTE 11. Pension Plan- Educational Retirement Board (continued)

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)

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

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

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NOTE 11. Pension Plan- Educational Retirement Board (continued)

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the (employer'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.

Primary Government:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension	<u>\$ 98,033,451</u>	<u>\$ 72,050,819</u>	<u>\$ 50,348,332</u>

Component Unit:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Component Unit's proportionate share of the net pension liability	<u>\$ 3,047,863</u>	<u>\$ 2,240,061</u>	<u>\$ 1,565,318</u>

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

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2015 there were no contributions due and payable for the District or the component unit.

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NOTE 12. Post-Employment Benefits – 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 healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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.

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 not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to 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, 2015, 2014, and 2013 were \$739,418, \$691,606, and \$658,950,277 respectively, which equal the required contributions for each year. The Academy's contributions for fiscal year ending June 30, 2015, 2014 and 2013 were \$21,788, \$21,642, \$18,698.

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 13. 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 disallowed 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. The District does not believe that the outcomes of any other lawsuits would have a material effect on the financial statements.

NOTE 14. Net Position Restatement

The District has a prior period adjustment of \$(71,269,877) which was required for implementation of Statement No. GASB 68 and GASB 71. The adjustment reflects a beginning net pension liability of \$(75,846,986) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of \$4,577,109.

The component unit has a prior period adjustment of \$(2,468,242) which was required for implementation of Statement No. GASB 68 and GASB 71. The adjustment reflects a beginning net pension liability of \$(2,610,543) and a beginning of deferred outflow of resources- employer contributions subsequent to the measurement date of \$142,301.

NOTE 15. Commitments

The District's construction commitments as of June 30, 2015 are as follows:

Construction Projects	Projected Completion Date	Contract Amount
Admin Records Building	2015-2016	\$ 148,011
AV Handicap/Boys Gym	2015-2016	19,462
PRL ADA Locker Install	2015-2016	3,399
CHS Baby Cave Flooring	2015-2016	5,439
CHS Direct Digital Controls	2015-2016	13,968
CHS Lights - Natatorium	2015-2016	57,921
CHS Main/PAD Project Engineering	2015-2016	43,156
CHS PAD Lighting & Ceiling	2015-2016	81,564
CHS Stadium HVAC Upgrade	2015-2016	26,489
CHS Teacher Parking Lot	2015-2016	75,201
Hillcrest HVAC Upgrades	2015-2016	96,480
Hillcrest Water Line Replacement	2015-2016	72,346
Monterrey Ceiling Lights Upgrade	2015-2016	14,318
Monterrey Intrusion Alarm System	2015-2016	2,805
Pate/Desert Willow Elementary	2015-2016	1,958,159
Riverside/Ocotillo Elementary	2015-2016	2,958,119
PRL Football Stadium Lights	2015-2016	181,115
PRL Sidewalk	2015-2016	9,839
		<hr/>
		\$ 5,767,791

STATE OF NEW MEXICO
Carlsbad Municipal School District No. 20
Notes to Financial Statements
June 30, 2015

NOTE 15. Commitments-(continued)

Lease Agreement

The component unit Jefferson Montessori Academy (Academy) leases from the District a portion of the Eisenhower School, office space, and playground space situated at 500 West Church Street in Carlsbad, New Mexico. The term of the lease is from July 1, 2013 through June 30, 2018. The annual rent paid to the District is based on the amount of lease reimbursement grant made to Academy which is determined by the Academy enrollment for the year pursuant to NMSA Section 22-24-41(1)(b)(2007) as amended. The total amount paid by the Academy to the District for fiscal year 2015 was \$137,844.

NOTE 16. Restricted Net Position

The government-wide statement of net position reports \$59,707,839 of restricted amounts, all of which is restricted by enabling legislation. For the Academy restricted net position is \$46,935. For descriptions of the related restrictions for net position amounts restricted for special revenue, debt service and capital projects, see pages 38-39 and 70-73.

NOTE 17. Subsequent Pronouncements

In February 2015, GASB Statement No. 72 *Fair Value Measurement and Application*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2016. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the District.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not effect the District's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The District expects this pronouncement to have a material effect on the financial statements.

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2016. The District expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2017. The District is still evaluating how this pronouncement will effect the financial statements.

NOTE 18. Subsequent Events

The date to which events occurring after June 30, 2015, have been evaluated for possible adjustment to the financial statements or disclosures is October 16, 2015. No other events occurring after June 30, 2015 necessitate adjustment to the financial statements or disclosure in the notes.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

The Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Limited Book-Entry Responsibilities

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

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

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

APPENDIX D

BOND COUNSEL OPINION

FORM OF BOND COUNSEL OPINION

_____, 2016

Board of Education
Carlsbad Municipal School District
Carlsbad, New Mexico

Ladies and Gentlemen:

We have acted as bond counsel to Carlsbad Municipal School District (the "District") in connection with the issuance of its \$30,000,000 General Obligation School Building Bonds, Series 2016 (the "Bonds"), dated February 24, 2016, with interest payable on August 1, 2016, and semi-annually thereafter on each February 1 and August 1 until maturity, and being bonds in registered form maturing on August 1 in the years 2016 through 2029.

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

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

2. Assuming continuing compliance by the District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and with the covenants contained in the Transcript regarding the use, expenditure and investment of Bond proceeds, interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of federal income taxation. Interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. Failure of the District to comply with its covenants and with the requirements of the Code may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issuance.

3. Interest on the Bonds is excluded from net income for purposes of the tax imposed on individuals, estate and trusts under the New Mexico Income Tax Act and for purposes of the tax imposed on corporations under the New Mexico Corporate Income and Franchise Tax Act.

Other than as described herein, we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Bonds.

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

We are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds.

Respectfully Submitted,

APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the Carlsbad Municipal School District, Eddy County, New Mexico (the "District"), in connection with the issuance of the Carlsbad Municipal School District, Eddy County, New Mexico, General Obligation School Building Bonds, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District adopted on January 19, 2016 (the "Resolution"). Pursuant to the Resolution, to allow the underwriters of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) "Annual Financial Information" means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB")) and operating data with respect to the District, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type set forth under the captions "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "THE DISTRICT – Student Enrollment," "FINANCES OF THE EDUCATIONAL PROGRAM-State Equalization Guarantee," "Statement of Net Assets, Statement of Activities, Balance Sheet and Statement of Revenues, Expenditures & Changes in Fund Balances" in the Official Statement. Annual Financial Information will include Audited Financial Statements if available.

(b) "Audited Financial Statements" means the District's annual financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB"), which financial statements have been audited as may then be required or permitted by the laws of the State.

(c) "EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System located on its website at emma.msrb.org.

(d) "Event Information" means the information delivered pursuant to Section 3(d).

(e) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, phone (703) 797-6600, fax (703) 797-6708.

(f) "Official Statement" means the Official Statement dated January 19, 2016, delivered in connection with the original issue and sale of the Bonds.

(g) "Report Date" means March 31 of each year, beginning in 2016.

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

(i) "SEC" means the Securities and Exchange Commission.

(j) "State" means the State of New Mexico.

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

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

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the District, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. The District will timely provide to EMMA notice of failure to provide Annual Financial Information or Audited Financial Statements in the event these items are not available by the Report Date.

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

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

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

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

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

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

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

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material within the meaning of the federal securities law;

(xi) rating changes;

(xii) tender offers;

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

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

(xv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(e) The District, or its designated agent, will provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, to EMMA, notice of any: (i) failure of the District to timely provide the Annual Financial Information as specified in Sections 3(a) and 3(b); (ii) changes in its fiscal year-end; and (iii) amendment of this Undertaking.

Section 4. Method of Transmission. The District, or its designated agent, will employ such methods of electronic or physical information transmission as are requested or recommended from time to time by the Repository, the MSRB or the SEC.

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

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

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

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

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

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

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

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

Section 9. Subject to Appropriation. This Undertaking shall be subject to annual appropriation by the District's Board of Education and shall not be construed as a general obligation of the District.

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

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Date: February 24, 2016.

BOARD OF EDUCATION OF THE
CARLSBAD MUNICIPAL SCHOOL
DISTRICT

By _____
President

[SEAL]

ATTEST:

Secretary

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APPENDIX F

OFFICIAL NOTICE OF SALE / BID FORM / ISSUE PRICE CERTIFICATE

OFFICIAL NOTICE OF BOND SALE

\$30,000,000

CARLSBAD MUNICIPAL SCHOOL DISTRICT
COUNTY OF EDDY, NEW MEXICO
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2016

PUBLIC NOTICE IS HEREBY GIVEN that the Board of Education of the Carlsbad Municipal School District (“Board”), governing body of the Carlsbad Municipal School District (“District”), Eddy County, New Mexico, will, until the hour of 10:00 a.m., local time on January 19, 2016, receive bids at the Carlsbad Municipal School District Board Room, 408 N. Canyon, Carlsbad, New Mexico 88220, or at such other time or place to be designated as provided below, for the purchase of the District’s General Obligation School Building Bonds (the “Series 2016 Bonds”), in the aggregate principal amount of \$30,000,000 and then will publicly examine the bids received. Bids may be submitted as a sealed bid or as an electronic bid using the facilities of PARITY. The Board will hold a special meeting at the Carlsbad Municipal School District Board Room, 408 N. Canyon, Carlsbad, New Mexico 88220, on January 19, 2016, at 12:00 p.m., local time, after receipt and opening of such bids, and will award the Series 2016 Bonds to the best bidder, adopt a bond resolution, and consider any other related matters.

DESCRIPTION OF ISSUE: The \$30,000,000 of the Series 2016 Bonds represents a portion of the \$60,000,000 which was authorized at a special election held within the District on February 4, 2014 (the “Election”) (the “School Building Bonds”).

The Bonds will be issued in the aggregate principal amount of \$30,000,000, will be dated the date of delivery, will be issued as fully registered bonds and will mature on August 1 of each year as follows:

<u>Years</u> <u>Maturing</u>	<u>Amounts</u> <u>Maturing*</u>
2016	1,500,000
2017	4,000,000
2018	4,265,000
2019	1,750,000
2020	1,750,000
2021	1,750,000
2022	1,750,000
2023	1,750,000
2024	1,750,000
2025	1,750,000
2026	1,750,000
2027	1,500,000
2028	2,500,000
2029	2,235,000

*Preliminary and subject to change.

The Series 2016 Bonds will be fully registered bonds in the denomination of \$5,000 each, or any integral multiple thereof. Interest will be payable on August 1, 2016 and semiannually thereafter on February 1 and August 1 of each year.

ADJUSTMENT OF PRINCIPAL AMOUNTS, MODIFICATION OR CLARIFICATION PRIOR TO RECEIPT OF BIDS: The Superintendent may, after consultation with the Board's financial and bond advisors, in the Superintendent's sole discretion and prior to the examination of bids, (i) adjust the aggregate principal amount set forth herein; (ii) adjust individual maturities; and/or (iii) modify or clarify any other term hereof by issuing a notification of the adjusted amounts, modification or clarification via Thomson Municipal News ("TM3") and/or Bloomberg Financial Services no later than 8:30 a.m., prevailing Mountain Time, on the Bid Date.

RESCHEDULING OF BID DATE AND DEADLINE: The Superintendent may, after consultation with the Board's financial and bond advisors, in the Superintendent's sole discretion on notice given at least twenty-four (24) hours prior to January 19, 2016 (the "Original Deadline"), reschedule the bid date and Original Deadline, and may, at that time or a subsequent time on at least twenty-four (24) hours prior notice, in each case via TM3 and/or Bloomberg Financial Services, establish a rescheduled bid date and rescheduled deadline and a place where electronic bids will be publicly examined.

For purposes of the written sealed bids, and bids received through the electronic bidding process, the time as maintained by PARITY shall constitute the official time.

BIDS DELIVERED TO THE BOARD: Sealed bids, plainly marked "Bid for Series 2016 Bonds," should be addressed to "Board of Education, Carlsbad Municipal School District," and delivered to the Carlsbad Municipal School District Board Room, 408 N. Canyon, Carlsbad, New Mexico 88220, prior to 10:00 a.m., local time, on January 19, 2016, the date of the bid opening. Such bids must be submitted on the Official Bid Form, without alteration or interlineation or through the electronic bidding process described below.

BID ADJUSTMENT AFTER RECEIPT OF BIDS: The District reserves the right, after receipt of bids, to adjust the principal amount and maturity schedule for the Bonds by increasing or decreasing the principal amount of each maturity, no later than two (2) hours following receipt of bids to obtain sufficient funds to complete the improvements; notice of any adjustment will be given promptly to the best bidder and any adjustment will be done in a "spread neutral" manner.

ELECTRONIC BIDDING PROCEDURES: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The Board will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Series 2016 Bonds on the terms provided in this Official Notice of Meeting and Bond Sale ("Notice"), and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Board. The Board and RBC Capital Markets, LLC ("District's Financial Advisor") shall not be responsible for any malfunction or mistake made by or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice conflict with information provided by PARITY, as the approved provider of electronic bidding services, this Notice shall control. Further information about PARITY, including any fee charged, may be obtained from BIDCOMP/PARITY, 1359 Broadway, 2nd Floor, New York, New York 10018, i-Deal Prospectus:(212) 849-5024 or (212) 849-5025; BidComp/Parity: (212) 849-5021.

For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the Board, as described under "BASIS OF AWARD" below. All electronic bids shall be deemed to incorporate the provisions of this Notice and the Official Bid Form.

REDEMPTION: Bonds maturing on and after August 1, 2026, are subject to redemption prior to their maturity on or after August 1, 2025, at the option of the District, in whole or in part at any time, at par value.

PAYMENT OF PURCHASE PRICE: The purchaser will be required to make payment of the balance of the purchase price of the Series 2016 Bonds (after credit for the bidder's good faith deposit, without interest to the purchaser) in immediately available funds at a depository designated by the District.

INTEREST RATE AND BID LIMITATIONS: The maximum net effective interest rate permitted on the Series 2016 Bonds is ten percent (10%), and no interest rate on any maturity of the Series 2016 Bonds may be greater than ten percent (10%) per annum. It is permissible to bid different or split rates of interest; provided, however, that: (1) no bid shall specify more than one interest rate for each maturity; (2) each interest rate specified must be stated in a multiple of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) per annum; and (3) the maximum interest rate specified for any maturity may not exceed the minimum interest rate specified for any other maturity by no more than three percent (3%). A bid of zero percent is not permitted.

The Series 2016 Bonds will not be sold for less than par.

Bidders are required to submit a bid specifying the lowest rate or rates of interest at which such bidder will purchase the Bonds. For informational purposes only, each bidder is requested to specify: (a) the method of payment of the good faith deposit, (b) the True Interest Cost on the Bonds stated as a nominal annual percentage rate (see "BASIS OF AWARD" below), (c) gross interest cost, and (d) net interest cost. Only unconditional bids shall be considered. Bids should be submitted on the Official Bid Form, which may be obtained from the District's Financial Advisor (see "FURTHER INFORMATION" below).

INSURANCE: The District may apply for municipal bond insurance for payment of principal of and interest on the Series 2016 Bonds. If the Series 2016 Bonds are approved for municipal bond insurance, the Series 2016 Bonds may be insured at the bidder's request and expense; and if the successful bidder desires that a legend be printed on the Series 2016 Bonds stating they are insured, the form of such legend and a written request that it be printed on the Series 2016 Bonds must be received by the District's Financial Advisor, identified under "Information" below, within 48 hours of the award of the Series 2016 Bonds to the successful bidder. At the delivery of the Series 2016 Bonds, the bidder is required to provide documentation to the District confirming that the premiums due the insurance company and any rating agency fees (other than the fees of Moody's Investors Service and Standard & Poor's Corporation, which will be paid by the District) have been fully paid.

BASIS OF AWARD: The Series 2016 Bonds will be awarded to the best bidder, considering the interest rate or rates specified and subject to the right of the Board to reject any and all bids and re-advertise. The best bid will be determined and will be awarded on the basis of the True Interest Cost of the Series 2016 Bonds (i.e., using a True Interest Cost method) for each bid received, and an award will be made (if any is made) to the responsible bidder submitting the bid that results in the lowest actuarial yield on the Series 2016 Bonds. "True Interest Cost" of the Series 2016 Bonds, as used herein, means that yield, which if used to compute the present worth, as of the date of the Series 2016 Bonds, of all payments of principal and interest to be made on the Series 2016 Bonds, from their date to their respective maturity dates, as specified in the maturity schedule and without regard to the possible optional prior redemption of the Series 2016 Bonds, using the interest rates specified in the bid, produces an amount equal to the principal amount of the Series 2016 Bonds. No adjustment shall be made in such calculation for accrued interest on the Series 2016 Bonds from their date to the date of delivery thereof. Such calculation shall be based on a 360-day year consisting of twelve thirty-day months and a semiannual compounding interval. The purchaser must pay accrued interest from the date of the Series 2016 Bonds to the date of delivery. **The Series 2016 Bonds will not be sold for less than par plus accrued interest.** The District reserves the right to waive any irregularity or informality in any bid, except time of filing.

GOOD FAITH DEPOSIT: All bids submitted shall be sealed or received by electronic transmission, and have a good faith deposit of \$600,000, representing 2% of the par amount which may be sent by wire transfer to a bank account designated by the District, or by cashier's check, treasurer's check or by certified check drawn on a solvent commercial bank or trust company in the United States of America and be payable to "Carlsbad Municipal School District" except for any bid of the State of New Mexico, if one is received. **GOOD FAITH DEPOSIT IS NOT REQUIRED PRIOR TO BID SUBMISSION, HOWEVER, IT MUST BE WIRED TO THE DISTRICT WITHIN ONE HOUR OF VERBAL AWARD TO THE SUCCESSFUL BIDDER. WIRE INSTRUCTIONS WILL BE PROVIDED TO THE SUCCESSFUL BIDDER UPON VERBAL AWARD OF BONDS.**

The good faith deposit must be received prior to official award of the Bonds by the Board. Notice to the winning bidder will be made by the Financial Advisor. If a financial security bond is used, it must be from an insurance company that is licensed to issue such a bond in the State of New Mexico and that has a long term rating by a nationally recognized rating agency of one of the two highest rating categories for long term obligations. The financial security bond must identify each bidder whose good faith deposit is guaranteed by such bond. If the Bonds are awarded to a bidder utilizing a financial security bond, then that successful bidder is required to submit the amount of the good faith deposit to the District in the form of a cashier's, treasurer's or certified check as provided in the first sentence of this paragraph (or wire transfer such amount as instructed by the District or its Financial Advisor) not later than 2:30 p.m., local time, on the next business day following the opening of the bids for the Bonds. If such good faith deposit is not received by that time, the financial security bond may be drawn upon by the District to satisfy the good faith deposit requirement. No interest on such good faith deposit will accrue to the successful bidder. If the financial security bond is drawn against or the winning bidder wire transfers to the District the amount of the good faith deposit, such cash deposit will be applied to the purchase price of the Bonds.

The good faith deposit shall be returned if the bid is not accepted by the Board. If the successful bidder fails or neglects to complete the purchase of the Bonds within forty-five (45) days following the acceptance of the bid or within ten (10) days after the Bonds are offered for delivery, whichever is later, the amount of the deposit shall be forfeited to the District as liquidated damages, and, in that event, the Board may accept the bid of the one making the next best bid. If all bids are rejected, the Board shall readvertise the Bonds for sale in the same manner as herein provided for the original advertisement. If there be two or more equal bids and such bids are the best bids received, the Board shall determine which bid shall be accepted.

TIME OF AWARD AND DELIVERY: The Board will take action awarding the Series 2016 Bonds or rejecting all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of the bids. Delivery of the Series 2016 Bonds will be made to the successful bidder through the facilities of The Depository Trust Company, New York, New York, within 60 days of the acceptance of the bid. If for any reason delivery cannot be made within 60 days, the successful bidder shall have the right to purchase the Series 2016 Bonds during the succeeding 30 days upon the same terms, or at the request of the successful bidder, during said succeeding 30 days, the good faith deposit will be returned, and such bidder shall be relieved of any further obligation. It is anticipated that the delivery of the Series 2016 Bonds will be on or about February 24, 2016.

NEW MEXICO CREDIT ENHANCEMENT PROGRAM: The District will qualify the Bonds for the New Mexico Credit Enhancement Program created under Section 22-18-13, NMSA 1978 and the District will apply and pay for a Moody's Investor's Service, Inc., rating on the Bonds based on the New Mexico Credit Enhancement Program.

FURTHER INFORMATION: Information concerning the Series 2016 Bonds, information regarding electronic bidding procedures, bid submission and other matters related to the Series 2016 Bonds, including printed copies of this Notice, the Official Bid Form, and the Preliminary Official Statement ("Preliminary Official Statement"), may be obtained from the District's Financial Advisor, RBC Capital Markets, LLC, 6301 Uptown Blvd., NE, Albuquerque, New Mexico 87110, Attention: Paul Cassidy. This Notice, the Official Bid Form and the Preliminary Official Statement are available for viewing in electronic format at www.fmhub.com. The District has prepared the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Series 2016 Bonds, but will not prepare any other document or version for such purpose except as described below. In addition, any NASD registered broker-dealers or dealer banks with The Depository Trust Company clearing arrangements who bid on the Series 2016 Bonds are advised that they may either: (a) print out a copy of the Preliminary Official Statement on their own printer or (b) at any time prior to the sale date, elect to receive a photocopy of the Preliminary Official Statement in the mail by requesting it from the District's Financial Advisor. All bidders must review the Preliminary Official Statement, and by submitting a bid for the Series 2016 Bonds, each bidder certifies that such bidder has done so prior to participating in the bidding.

The District will agree in a separate agreement to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12 ("Rule"), as described in the Preliminary Official Statement under "Continuing Disclosure of Information." The Preliminary Official Statement is deemed final by the District for purposes of Rule 15c2-12(b)(1) except for the omission of the following information: the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, any other terms or provisions required by an insurer of such securities to be specified in the winning bid, ratings, other terms of the securities depending on such matters, and the identity of the purchaser. The Board will furnish to the successful bidder or bidders, acting through a designated senior representative, in accordance with instructions received from such successful bidder(s) in order to comply with the Rule, within seven (7) business days from the sale date an aggregate of twenty (20) copies of the final Official Statement, reflecting interest rates and other terms relating to the initial reoffering of the Series 2016 Bonds. The cost of preparation of the Official Statement shall be borne by the District except for the cost of any final Official Statement in excess of the number specified shall be borne by the successful bidder(s).

TRANSCRIPT AND LEGAL OPINIONS: The New Mexico Attorney General's written approval of the Series 2016 Bonds, as to form and legality, will be supplied. In addition, the legality of the Series 2016 Bonds will be approved by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Attorneys at Law, Albuquerque, New Mexico, whose opinion approving the legality of the Series 2016 Bonds will be furnished to the successful bidder at no cost to the successful bidder. The opinion will state in substance that the issue of the Series 2016 Bonds is valid and legally binding upon the District, that all of the taxable property in the District is subject to the levy of a tax to pay the same without limitation of rate or amount, and that interest on the Series 2016 Bonds is excludable from gross income for purposes of federal income tax.

The successful bidder (without cost to such bidder) will also be furnished with a complete transcript of the legal proceedings, including a no-litigation certificate stating that to the knowledge of the signer or signers thereof, as of the date of the delivery of the Series 2016 Bonds, no litigation is pending affecting their validity or the levy or collection of such taxes for their payment.

BOOK-ENTRY ONLY OBLIGATIONS: The Series 2016 Bonds will be issued in book-entry only form through the facilities of the Depository Trust Company (see Preliminary Official Statement).

CUSIP NUMBERS: CUSIP identification numbers may be typed or printed on the Series 2016 Bonds, but neither the failure to provide such number on any Series 2016 Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser thereof to accept delivery of and to pay for the Series 2016 Bonds in accordance with the terms hereof. All expenses in relation to the CUSIP Service charge for the assignment of said numbers will be the responsibility of and will be paid for by the purchaser.

BLUE SKY LAWS: The District has not investigated the eligibility of any institution or person to purchase or participate in the underwriting of the Series 2016 Bonds under any applicable legal investment, insurance, banking, or other laws.

By submitting a bid, the initial purchaser represents that the sale of the Series 2016 Bonds in states other than New Mexico will be made only under exemptions from registration, or, wherever necessary, the initial purchaser will register the Series 2016 Bonds in accordance with the securities laws of the state in which the Series 2016 Bonds are offered or sold. The District agrees to cooperate with the initial purchaser, at the initial purchaser's written request and expense, in registering the Series 2016 Bonds or obtaining an exemption from registration in any state where such action is necessary but will not consent to service of process in any such jurisdiction.

DATED this 17th day of December, 2015.

BOARD OF EDUCATION OF THE
CARLSBAD MUNICIPAL SCHOOL
DISTRICT

By _____
President

[SEAL]

ATTEST:

By _____
Secretary

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EXHIBIT A

OFFICIAL BID FORM

(January 19, 2016)

Carlsbad Municipal School District
c/o RBC Capital Markets, LLC
6301 Uptown Blvd., N.E., Suite 110
Albuquerque, New Mexico 87110

Attention: Secretary, Board of Education

Members of the Board:

Pursuant to your "Official Notice of Bond Sale," dated December 17, 2015, relating to the District's General Obligation School Building Bonds, Series 2016, ("Bonds") in the principal amount of \$30,000,000, which by reference is made a part hereof, we submit the following bid:

For your legally issued Bonds as described in said "Official Notice of Meeting and Bond Sale," we will pay you par, plus accrued interest, if any, from the date of the Bonds to the date of delivery to us, provided the Bonds bear interest per annum as follows (August 1 for the Bonds):

<u>Maturing (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2016	1,500,000		
2017	4,000,000		
2018	4,265,000		
2019	1,750,000		
2020	1,750,000		
2021	1,750,000		
2022	1,750,000		
2023	1,750,000		
2024	1,750,000		
2025	1,750,000		
2026	1,750,000		
2027	1,500,000		
2028	2,500,000		
2029	2,235,000		

Enclosed herewith is *a financial security bond*, *cash*, * a cashier's or treasurer's check of *, * a certified check drawn on *, a solvent commercial bank or trust company in the United States of America, made payable to the order of the Carlsbad Municipal School District, in the amount of \$600,000, which deposit represents our good faith deposit and is submitted in accordance with the terms set forth in the "Official Notice of Meeting and Bond Sale." We will pay the CUSIP Service Bureau charge, if any, for the assignment of CUSIP numbers.

The undersigned agrees to complete, execute, and deliver to the District within two business days from the date hereof a Certificate of Underwriter Regarding Issue Price or a similar certificate relating to the "issue price" of the Bonds, in the form and to the effect approved by the District, within two business days from the date hereof.

We understand and agree that no more than twenty (20) copies of the final Official Statement, including any amendments or supplements thereto will be supplied to us at the District's expense and that any additional copies requested will be subject to a charge to us. By accepting this bid, you agree to provide such copies of the final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Bond Sale, and you undertake your other obligations described therein, as contemplated by Rule 15c2-12 of the Securities and Exchange Commission.

Respectfully submitted,

By: _____

Authorized Representative

* (Strike inapplicable words)

For informational purposes only, our calculation of the True Interest Cost is as follows:

True Interest Cost: (stated as a nominal annual percentage) _____%

Additionally, for informational purposes only, the following is requested:

Gross Interest Cost: \$ _____

Bond Insurance (if any) at Cost of Bidder:

Less Premium Bid: \$ _____

Name of Company: _____

Net Interest Cost: \$ _____

Insurance Premium: \$ _____

Additional Rating (if any) at Cost of Bidder:

Name of Rating Agency:

ACCEPTANCE CLAUSE

The above bid is hereby in all things accepted by the Carlsbad Municipal School District,
County of Eddy, New Mexico, this ____ day of _____, 2016.

CARLSBAD MUNICIPAL SCHOOL
DISTRICT

President, Board of Education

Secretary, Board of Education

EXHIBIT B

CERTIFICATE REGARDING ISSUE PRICE

The undersigned hereby certify as follows with respect to the \$30,000,000 principal amount of Carlsbad Municipal School District, Eddy County, New Mexico General Obligation School Building Bonds, Series 2016 (the “Bonds”).

1. The undersigned is the original purchaser which purchased the Bonds from Carlsbad Municipal School District, Eddy County, New Mexico (the “District”).

2. The initial offering prices of the Bonds at which bona fide offers of sale of each maturity were made to the public are as follows:

<u>Maturity Date (August 1)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Dollar Price</u>	<u>Actual Price</u>
2016	1,500,000				
2017	4,000,000				
2018	4,265,000				
2019	1,750,000				
2020	1,750,000				
2021	1,750,000				
2022	1,750,000				
2023	1,750,000				
2024	1,750,000				
2025	1,750,000				
2026	1,750,000				
2027	1,500,000				
2028	2,500,000				
2029	2,235,000				

3. All of the Bonds were offered to the public at the initial offering prices set forth above and we reasonably expected to sell at least 10% of the principal amount of each maturity of the Bonds to the public (other than to bond houses, brokers and other intermediaries) at not more than the initial offering price of each such maturity. The aggregate of the initial offering prices of each maturity of the Bonds is \$_____ (consisting of \$_____ as the par amount of the Bonds, and a net re-offering premium in the amount of \$_____).

4. The undersigned understands that the statements made herein will be relied upon by the District in its effort to complete the Information Return for Tax-Exempt Governmental Bond Issues (Form 8038-G), required to be filed pursuant to the Internal Revenue Code of 1986, as amended, and with regard to establishing facts and circumstances relied on by the District and bond counsel in connection with the issuance of the Bonds and the exclusion of interest on the Bonds from gross income for federal income tax purposes. Such reliance is hereby authorized and approved; provided,

however, that nothing herein represents our interpretation of any laws, and in particular, regulations under section 148 of the Internal Revenue Code.

Executed and delivered this _____ day of _____, 2016.

[BOND PURCHASER]

By: _____
Authorized Representative