

## NOTICE

JAL PUBLIC SCHOOL DISTRICT NO. 19  
18,000,000 - General Obligation School Building Bonds, Series 2016

Preliminary Official Statement, subject to completion,  
Dated July 5, 2016

The Preliminary Official Statement, dated July 5, 2016 (the "Preliminary Official Statement") relating to the above-described bonds (the "Bonds") of the Jal Public School District No. 19 (the "Issuer"), has been posted on the internet as a matter of convenience. Paper copies of the Preliminary Official Statement are available from the Issuer by contacting the financial advisor, RBC Capital Markets, LLC, Erik B. Harrigan at (505) 872-5999. 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 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 there from.

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 July 5, 2016**

# PRELIMINARY OFFICIAL STATEMENT DATED JULY 5, 2016

18,000,000

## JAL PUBLIC SCHOOL DISTRICT NO. 19 General Obligation School Building Bonds, Series 2016

### NEW ISSUE

Book-Entry Only

Moody's rating: A3 Underlying/Aa2 Enhanced

### PURPOSES

Proceeds of the Bonds will be used for the purpose of (i) erecting, remodeling, making additions to and furnishing school buildings and purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [22-24-1 NMSA 1978], or any combination of these purposes and (ii) paying costs of issuance.

### THE BONDS

The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each April 1 and October 1, commencing April 1, 2017. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants are the responsibility of DTC. See "The Bonds - Book-Entry Only System". BOKF, N.A., New Mexico (or successor in function) will serve as 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 Jal Public School District No.19, 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. (See "Tax Exemption" herein.)

### DELIVERY

When, as and if issued, through DTC's facilities, on or about August 18, 2016

### DATED DATE

Date of delivery

### DUE DATE

October 1, as shown on below:

Year Maturing (Oct. 1)	Principal	Interest Rate	Yield/ Price	Cusip # 470143	Year Maturing (Oct. 1)	Principal	Interest Rate	Yield/ Price	Cusip # 470143
2017	\$835,000				2026	\$1,350,000			
2018	985,000				2027	1,335,000			
2019	1,145,000				2028	1,020,000			
2020	1,005,000				2029	105,000			
2021	1,070,000				2030	795,000			
2022	1,220,000				2031	1,650,000			
2023	1,290,000				2032	1,520,000			
2024	1,400,000								
2025	1,275,000								

Electronic and/or sealed bids will be opened at 10:00 AM, prevailing Mountain Time, July 12, 2016, 2016 See "Notice of Meeting and Sale" enclosed.

**ISSUER**

Jal Public School District No. 19  
Lea County, New Mexico  
200 E. Panther  
Jal, New Mexico 88252  
(575) 395-2101

**BOARD OF EDUCATION**

*Jim Gooss, President*  
*Rick Miller, Vice President*  
*Jamie Earp, Secretary*  
*Kayla Lujan, Member*  
*Jenny Edwards, Member*

**FINANCIAL ADVISOR**

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

**PAYING AGENT/REGISTRAR**

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

**DISTRICT ADMINISTRATION**

*Brian Snider, Superintendent*  
*Ron Verschueren, Business Services*

**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

**ELECTRONIC BID PROVIDER**

i-Deal LLC 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.

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### 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.*

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

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**

Jal Public School District No. 19  
200 E. Panther  
Jal, New Mexico 88252  
Attention: Brian Snider

### **Financial Advisor**

RBC Capital Markets, LLC  
6301 Uptown Blvd. NE, Suite 110  
Albuquerque, NM 87110  
Attention : Erik B. Harrigan

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**18,000,000**

**Jal Public Schools District No. 19**

**General Obligation School Building Bonds, Series 2016**

## **INTRODUCTION**

This Official Statement is furnished to prospective purchasers of Jal Public Schools District No. 19, New Mexico, General Obligation School Building Bonds, Series 2016 (the "Bonds" or "Series 2016 Bonds"), issued in the aggregate principal amount of 18,000,000 by Jal Public Schools District No. 19 (the "District"). The offering of the Bonds is made only by way of this Preliminary Official Statement and the Official Notice of Meeting and Sale dated July 5, 2016, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Additional information concerning the District, the Bonds, and other aspects of this offering may be obtained either from the District, or RBC Capital Markets, LLC (the "Financial Advisor") at the address set forth in the section entitled "ADDITIONAL MATTERS."

The following material is qualified in its entirety by the more complete information contained throughout this Official Statement, and detachment or other use of this "INTRODUCTION " without the entire Official Statement, including the cover page and the appendices, is not authorized.

All terms used in this Preliminary Official Statement that are not defined herein shall have the meanings given such terms in Resolution authorizing issuance of the Bonds to be adopted by the Board of Education of the District (the "Board") on July 12, 2016, 2016 (the "Bond Resolution").

### **The Financial Advisor**

The Issuer 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.

### **The Issuer**

The District is a political subdivision of the State organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District includes the city of Jal and part of the unincorporated areas of Lea County. The District is located in the south-eastern corner of the State.

### **Security**

The Bonds are general obligations of the District and paid from ad valorem taxes that are levied against all taxable property within the District. Neither the State nor the County has any responsibility to pay the debt service on the Bonds.

## 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 Official Statement presents unaudited financial and statistical information from District records and other sources.

## Purpose

The Bonds are being offered for the purpose of providing funds (i) for erecting, remodeling, making additions to and furnishing school buildings, purchasing and improving school grounds, and purchasing computer software and hardware for student use in public school classrooms, or any combination of these purposes within the District and (ii) to pay costs of issuance.

## Selected Debt Ratios

	<u>2015</u>
2015 Assessed Valuation	\$1,132,358,147 *
2015 Estimated Actual Valuation	\$3,405,618,252 <sup>(1)</sup>
District General Obligation	
Debt Outstanding	\$9,500,000
Series 2016 Bonds	<u>18,000,000</u>
	\$27,500,000
District Net General Debt	\$26,792,363
Estimated Direct &	
Overlapping General Obligation Debt	\$34,997,567
District Net Debt as a Percentage of	
Assessed Valuation	2.37%
Estimated Actual Valuation	0.79%
Direct and Overlapping Debt as a Percentage of	
Assessed Valuation	3.09%
Estimated Actual Valuation	1.03%
Estimated Population	3,500
District Net Debt Per Capita	\$7,654.96
Direct and Overlapping Debt Per Capita	\$9,999.30

\* See Section "Recent Developments Regarding Tax Base" for more detail

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

## THE BONDS

New Mexico law enables the District to issue the Bonds (Section 6-15-1 through Section 6-15-22, NMSA, 1978). 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 integral multiples thereof in conformance with the Constitution and laws of the State and pursuant to the Bond Resolution. Bond payments will go 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.

### Bond Registrar and Paying Agent

BOKF, N.A. (or successor) will serve as Paying Agent and Registrar for the Bonds.

### 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 15<sup>th</sup> day of the calendar month preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar; but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof at the close of business on the Regular Record Date and shall be payable to the person who is the registered owner thereof at the close of business on the date to be fixed by Registrar whenever moneys become available for the payment of defaulted interest (the "Special Record Date").

### Optional Prior Redemption

The Series 2016 Bonds maturing on and after August 1, 2026, are subject to prior redemption at the District's option in one or more units of \$5,000 on and after August 1, 2025 in whole or in part at any time in such order of maturities as the District may determine for the principal amount of each \$5,000 unit of principal so redeemed and accrued interest to the redemption date. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

### Transfers and Exchanges

Registered Bond owners may surrender and transfer their Bonds, in person or by duly authorized attorney, at the office of the Paying Agent/Registrar. They must complete an approved transfer form and pay any taxes or governmental charges which apply to the transfer. As explained in Appendix C, while DTC is the securities depository for the Bonds, it will be the sole registered owner of the Bonds.

### 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. See Appendix C.

## **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 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 may need to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bond, and the obligations incurred by the District in issuing the Bond, 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 Note 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 Section 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 and administration, 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 Moody's rating for the New Mexico School District Enhancement Program for the District is Aa2.**

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

## DEBT AND OTHER FINANCIAL OBLIGATIONS

Article IX, Section 11 of the New Mexico Constitution limits the powers of a District to incur general obligation debt extending beyond the fiscal year. The District can incur such debt for the purpose of erecting, remodeling, making additions to and furnishing school buildings or purchasing or improving school grounds 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 assessed valuation of taxable property within the District is \$1,132,358,147 for the tax year 2015, as approved by the State of New Mexico Taxation and Revenue Department, Property Tax Division. The maximum general obligation indebtedness of the District may not exceed 6% of the assessed valuation or \$67,941,489.

After the Bonds are issued, the ratio of total outstanding general obligation (G/O) debt of the District to the 2015 assessed valuation will be no greater than 2.37% as summarized below:

2015 Assessed Valuation	\$1,132,358,147
2015 Estimated Actual Valuation	\$3,405,618,252 <sup>(1)</sup>
Bonded Debt	
Total Outstanding (including the Bonds)	\$27,500,000
Less Debt Service Fund Balance	<u>707,637</u> <sup>(2)</sup>
NET DEBT	<u>\$26,792,363</u>
Ratio of Estimated Net Debt to 2015 Assessed Valuation:	2.37%
Ratio of Estimated Net Debt to 2015 Estimated Actual Valuation:	0.79%
Per Capita Net Bonded Debt:	\$7,654.96
Estimated Population:	3,500

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

(2) The debt service fund cash balance was \$1,033,801.37 as of April 15, 2016. The amount properly attributable to principal reduction is 68.5% .

## 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 Issued	Final Maturity	Principal Outstanding
2015	\$9,500,000	10/01/2030	\$9,500,000
2016	18,000,000	10/01/2032	18,000,000
<b>Total</b>	<b>\$27,500,000</b>		<b>\$27,500,000</b>

## 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 and computed at the desired tax rate. 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.

(10/1) Year	Current Requirements			Series 2016		Total Requirements		
	Principal	Interest	Total	Principal	Interest*	Principal	Interest	Total
2016	\$1,400,000	\$323,144	\$1,723,144			\$1,400,000	\$323,144	\$1,723,144
2017	300,000	226,000	526,000	\$835,000	\$742,000	1,135,000	968,000	2,103,000
2018	200,000	220,000	420,000	985,000	600,775	1,185,000	820,775	2,005,775
2019	100,000	216,000	316,000	1,145,000	566,300	1,245,000	782,300	2,027,300
2020	300,000	213,000	513,000	1,005,000	526,225	1,305,000	739,225	2,044,225
2021	300,000	204,000	504,000	1,070,000	491,050	1,370,000	695,050	2,065,050
2022	300,000	195,000	495,000	1,220,000	453,600	1,520,000	648,600	2,168,600
2023	300,000	186,000	486,000	1,290,000	410,900	1,590,000	596,900	2,186,900
2024	300,000	177,000	477,000	1,400,000	365,750	1,700,000	542,750	2,242,750
2025	500,000	171,000	671,000	1,275,000	316,750	1,775,000	487,750	2,262,750
2026	500,000	161,000	661,000	1,350,000	272,125	1,850,000	433,125	2,283,125
2027	600,000	148,500	748,500	1,335,000	224,875	1,935,000	373,375	2,308,375
2028	1,000,000	132,000	1,132,000	1,020,000	178,150	2,020,000	310,150	2,330,150
2029	2,000,000	102,000	2,102,000	105,000	142,450	2,105,000	244,450	2,349,450
2030	1,400,000	42,000	1,442,000	795,000	138,775	2,195,000	180,775	2,375,775
2031				1,650,000	110,950	1,650,000	110,950	1,760,950
2032				<u>1,520,000</u>	<u>53,200</u>	<u>1,520,000</u>	<u>53,200</u>	<u>1,573,200</u>
<b>TOTAL</b>	<b>\$9,500,000</b>	<b>\$2,716,644</b>	<b>\$12,216,644</b>	<b>\$18,000,000</b>	<b>\$5,429,725</b>	<b>\$27,500,000</b>	<b>\$2,716,644</b>	<b>\$30,100,594</b>

\*Preliminary and Subject to Change

## 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. Revenue bonds are payable from sources other than property taxes.

	<b>2015 Assessed Valuation</b>	<b>G/O Debt Outstanding</b>	<b>Percent Applicable</b>	<b>Amount</b>
State of New Mexico	\$58,791,482,390	\$389,270,000	1.93%	\$7,497,567
Lea County	4,752,949,968	-	23.82%	-
New Mexico Junior College	4,752,949,968	-	23.82%	-
City of Jal	19,367,918	-	100.00%	-
Jal Schools	1,132,358,147	27,500,000	100.00%	27,500,000
<b>Total Direct &amp; Overlapping</b>				<b>\$34,997,567</b>
Ratio of Estimated Direct & Overlapping Debt to 2015 Assessed Valuation:				3.09%
Ratio of Estimated Direct & Overlapping Debt to 2015 Estimated Actual Valuation:				1.03%
Per Capita Direct & Overlapping Debt:				\$9,999.30
Population				3,500

## TAX BASE

### Analysis of Assessed Valuation

Assessed valuation of property within the District is calculated as follows: Of the total estimated actual valuation of all taxable property in the District, 33 1/3% is legally subject to ad valorem taxes. The actual value of personal property within the District is determined by the county assessor. The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the Taxation and Revenue Department, Property Tax Division. The valuation of oil and natural gas for property tax purposes is calculated by the Oil and Gas Accounting Division. The assessed valuation of the District by property tax component is as follows:

Assessments	2016*	2015	2014	2013	2012	2011
Value of Land		\$1,858,938	\$1,799,773	\$1,739,178	\$1,566,680	\$1,574,393
Improvements		13,647,768	12,920,020	12,376,570	11,991,271	11,642,236
Personal Property		2,192,374	1,066,595	898,854	877,244	677,291
Manufactured Homes		755,776	628,938	543,856	417,941	339,088
Livestock		1,607,957	998,932	931,096	886,933	\$827,128
<b>Assessor's Total Valuation</b>		<b>\$20,062,813</b>	<b>\$17,414,258</b>	<b>\$16,489,554</b>	<b>\$15,740,069</b>	<b>\$15,060,136</b>
<b>Less Exemptions</b>						
<b>Total Exemptions</b>		<b>\$2,847,937</b>	<b>\$2,879,649</b>	<b>\$2,957,253</b>	<b>\$2,955,689</b>	<b>\$2,994,230</b>
<b>Assessors' Net Valuation</b>	\$25,610,986	\$17,214,876	\$14,534,609	\$13,532,301	\$12,784,380	\$12,065,906
<b>Centrally Assessed</b>	222,708,580	195,774,015	174,361,234	155,650,450	150,505,828	93,178,766
<b>Oil and Gas</b>	715,098,881	919,369,256	596,133,843	317,057,428	234,885,173	181,777,484
<b>Total Assessed Valuation</b>	<b>\$963,418,447</b>	<b>\$1,132,358,147</b>	<b>\$785,029,686</b>	<b>\$486,240,179</b>	<b>\$398,175,381</b>	<b>\$287,022,156</b>
	<b>2016*</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Residential	\$11,138,014	\$10,515,207	\$9,932,553	\$9,418,457	\$8,867,098	\$8,389,039
Non-Residential	237,181,552	202,473,684	178,963,290	159,764,294	154,423,110	96,855,633
Oil and Gas**	715,098,881	919,369,256	596,133,843	317,057,428	234,885,173	181,777,484
	<b>\$963,418,447</b>	<b>\$1,132,358,147</b>	<b>\$785,029,686</b>	<b>\$486,240,179</b>	<b>\$398,175,381</b>	<b>\$287,022,156</b>

\*Preliminary

\*\* Oil & Gas Values reflect previous calendar year.

Source: Lea County Assessor's Office.

### Recent Developments Regarding Tax Base

The District's tax base is comprised of significant portion of oil and gas values, which can be impacted by both production volume and oil prices of oil and gas. Unlike residential and non-residential property taxes which are collected semi-annually oil and gas property taxes are collected monthly and distributed to the District. See "Taxation of Oil and Natural Gas Production" and "Taxation of Oil and Natural Gas Equipment". Fiscal year to date the District has collected approximately 90% as compared to last fiscal year, which should result in a decline in assessed value for tax year 2016.

## History of Assessed Valuation

The following is a history of assessed valuation for the District compared with Lea County.

<b>Tax Year</b>	<b>Jal Public School District</b>	<b>Lea County</b>
2016*	963,418,447	3,708,066,183
2015	1,132,358,147	4,752,949,968
2014	785,029,686	4,188,042,888
2013	486,240,176	3,565,723,847
2012	398,175,381	3,540,014,396
2011	287,022,156	3,095,370,876
2010	195,176,832	2,583,234,709
2009	291,336,393	3,790,819,682
2008	250,807,665	2,929,488,871
2007	227,335,361	2,548,907,553

\* Preliminary

Source: Lea County Assessor

## Major Taxpayers

Below is a three year history of the major taxpayers in the District. In 2015, the ten largest taxpayers in the District had a combined assessed valuation of \$158,222,147 which represents 13.97% of the 2015 assessed valuation.

<b>Name</b>	<b>2015 A.V.</b>	<b>% of AV</b>
Lea Partners LP	\$106,531,285	9.41%
Plains Pipeline	11,358,600	1.00%
Sune SPS 1-4, LLC	10,402,196	0.92%
DCP Midstream	7,323,271	0.65%
Southwest Public Service Co	6,496,588	0.57%
Plains MRK	4,411,536	0.39%
El Paso Natural Gas Company	4,331,853	0.38%
Transwestern Pipeline	3,081,376	0.27%
Western Refining Pipeline	2,535,313	0.22%
EOG Resources	1,750,129	0.15%
	<b>\$158,222,147</b>	<b>13.97%</b>
2015 Jal Schools A.V.	\$1,132,358,147	100.00%

Source: Lea County Assessor's Office.

## Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within a taxing 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.

### Within 20 Mill Limit for General Purposes (Per \$1,000 Assessed Valuation)

	2015	2014	2013	2012	2011
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Lea County	7.119	7.318	7.580	7.734	7.733
City of Jal	6.036	6.266	6.468	6.675	6.734
Jal Schools	0.396	0.410	0.422	0.435	0.438
<b>Total</b>	<b>\$13.551</b>	<b>\$13.994</b>	<b>\$14.470</b>	<b>\$14.844</b>	<b>\$14.905</b>

### Over 20 Mill Limit - Interest, Principal, Judgement, etc.

State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.362
Lea County	0.000	0.000	0.000	0.000	0.000
New Mexico Junior College	3.628	3.729	3.862	3.941	3.941
Jal Hospital	2.732	2.829	2.913	3.000	2.364
City of Jal	0.000	0.000	0.000	0.000	0.000
Jal Schools	4.449	1.872	1.927	1.985	2.000
<b>Total</b>	<b>\$7.720</b>	<b>\$7.918</b>	<b>\$8.135</b>	<b>\$8.301</b>	<b>\$7.667</b>

### TOTAL LEVY

State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.362
Lea County	7.119	7.318	7.580	7.734	7.733
New Mexico Junior College	3.628	3.729	3.862	3.941	3.941
Jal Hospital	2.732	2.829	2.913	3.000	2.364
City of Jal	6.036	6.266	6.468	6.675	6.734
Jal Schools	4.845	2.282	2.349	2.420	2.438
<b>Total Residential</b>	<b>\$25.720</b>	<b>\$23.784</b>	<b>\$24.532</b>	<b>\$25.130</b>	<b>\$24.572</b>
<b>Total Non-Residential</b>	<b>\$32.752</b>	<b>\$30.110</b>	<b>\$30.110</b>	<b>\$30.110</b>	<b>\$29.612</b>

Source: New Mexico Department of Finance & Administration



## School Tax Rates

The following table summarizes the historical school tax levies on property within the District since the 2011 tax year (2011-12 fiscal years). The Two Mill Levy is renewed every six years, most recently on February 2, 2013. Next two mill levy election is in 2017.

Tax Year	Operational		Two Mill Levy		Debt Service			Total	
	Res	Non Res	Res	Non Res	GO Bonds	ETNs	Total	Res	Non Res
2011	0.438	0.500	2.000	2.000	-	-	-	2.438	2.500
2012	0.435	0.500	1.985	2.000	-	-	-	2.420	2.500
2013	0.422	0.500	1.927	2.000	-	-	-	2.349	2.500
2014	0.410	0.500	1.872	2.000	-	-	-	2.282	2.500
2015	0.396	0.500	1.807	2.000	2.642	-	2.642	4.845	5.142

## 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.

## Taxation of Oil and Natural Gas Production

Unlike other property taxes, oil and gas production taxes are determined monthly based on the current month's taxable value of product multiplied by the mill levy certified by the Department of Finance and Administration. The certified mill levy is based on the preceding calendar year's taxable value of product with possible adjustment for current market conditions.

The taxable value of products which are severed and sold from each production unit is an amount equal to one hundred fifty percent (150%) of the value of the output after deducting royalties paid to the United States, the state of

New Mexico or any Indian tribe, Indian pueblo or Indian. This net value is then multiplied by the standard assessment ratio (presently 33.3%) to determine the taxable value of products.

Any person engaged in the severance of an oil or gas product from a production unit must file a return on or before the twenty-fifth day of the second month after the month for which a return is required. All taxes due or to be remitted by the operator must accompany the return. Interest penalties are imposed on any overdue taxes.

### **Taxation of Oil and Natural Gas Equipment**

The taxable value of equipment of each production unit is an amount equal to twenty-seven percent (27%) of the cumulative net value of product of a production unit for the preceding calendar year. The net value of equipment so determined is then multiplied by the appropriate assessment ratio and tax rate to determine the amount of equipment taxes due. The producer is billed by the New Mexico Taxation and Revenue Department on or before October 15 of each year for payment by November 30th. Interest penalties are imposed on any overdue taxes.

Section 7-36-21.2 NMSA 1978 establishes a statewide limitation on residential property valuation increases beginning in tax year 2001. 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.
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. The plaintiff appealed the case to the New Mexico Supreme Court. The Supreme Court affirmed the decision by the Court of Appeals. The New Mexico Legislature has brought up the issue of the disparity in valuations in the past several years, but has not enacted any of the bills into law. To the extent that court or legislative action is taken or a further constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property in the District.

Section 7-36-21.3 NMSA 1978 places a limitation on the increase in value for property taxation purposes for single-family dwellings occupied by low-income owners who are sixty-five 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 History

General (ad valorem) taxes 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 installment is due on November 10 and becomes delinquent on December 10. The second half installment is due on April 10 and becomes delinquent on May 10.

Collection statistics for all political subdivisions for which each county treasurer collects taxes are presented below:

Property Tax Collections for Lea County						
Tax Year	Fiscal Year	Net Taxes	Current Tax Collections <sup>(1)</sup>	Current	Current/Delinquent Tax Collections <sup>(2)</sup>	Current/Delinquent
		Charged to Treasurer		Collections as a % of Net Levied		Collections as a % of Net Levied
2015	15/16	\$48,895,120	\$33,711,846	68.95%	\$33,711,846	68.95%
2014	14/15	41,184,230	39,900,878	96.88%	40,777,714	99.01%
2013	13/14	37,758,664	36,894,161	97.71%	37,690,444	99.82%
2012	12/13	34,547,333	33,328,246	96.47%	34,526,100	99.94%
2011	11/12	32,959,651	31,791,348	96.46%	32,946,472	99.96%
2010	10/11	30,430,733	30,419,521	99.96%	30,422,179	99.97%

(1) As of June 30 of each year

(2) As of March 2016

Source: Lea 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 thirty (30) days after the date they are due, interest on the unpaid taxes shall accrue from the thirtieth (30th) days after they are due until the date they are paid. Interest accrues at the rate of one percent (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 one percent (1%) of the delinquent tax for each month, or any portion of a month, they remain unpaid shall be imposed, but the total penalty shall not exceed five percent (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, fifty percent (50%) of the property tax due or fifty dollars (\$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 on 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 for which taxes are delinquent.

## THE DISTRICT

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

### School District Powers

Pursuant to Chapter 27, 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 PED (the "Secretary") is responsible for control, management and direction of all public schools. The Public Education Commission is comprised of ten 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.

### Management

The District Board (the "Board"), subject to regulations of the Secretary, develops educational policies for the District. The local school Board shall have the following powers or duties: 1) subject to the rules of the department, develop educational policies for the school; 2) employ a superintendent of schools and fix the superintendent's salary; 3) review and approve the annual school budget; 4) acquire, lease and dispose of property; 5) have the capacity to sue and be sued; 6) acquire property by eminent domain; 7) issue general obligation bonds of the school district; 8) provide for the repair of and maintain all school property; 9) subpoena witnesses and documents in connection with a hearing concerning powers of the school board; 10) except for expenditures for salaries, contract for expenditure of money; 11) adopt rules pertaining to the administration of all powers or duties of the school board; 12) accept or reject any charitable gift, grant, devise or bequest; 13) offer and pay rewards for information leading to the arrest and conviction of offenders in case of theft, defacement or destruction of school property; and 14) give prior approval for any educational program in a public school that is to be conducted, sponsored, carried on or caused to be carried on by a private organization. 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:

Jim Gooss, President, term expires March 1, 2017.

Rick Miller, Vice President, term expires March 1, 2017.

Jamie Earp, Secretary, term expires March 1, 2019.

Kayla Lujan, Member, term expires March 1, 2019.

Jenny Edwards, Member, term expires March 1, 2019.

### Administration and Staff

The Superintendent of Schools (the "Superintendent") is selected by the Board and is under contract at the discretion of the Board. The Superintendent is the Chief Executive Officer of the District and employs, fixes salaries of, and assigns and discharges or terminates, all employees of the District. The Superintendent administers and supervises the operations of the District and, in conjunction with the Business Manager, prepares the budget and approves budgetary controls, purchasing and payments, subject to review of the Board. The Superintendent and Business Manager for the District are:

Brian Snider, Superintendent has been with Jal Schools for a total of 6 years, he was selected as Superintendent in 2015. Prior to his work with Jal Schools Mr. Snider has worked for over 10 years in other school Districts in New Mexico (Hobbs, Eunice, ECISD). He has received his Bachelor's and Master's Degrees from the University of the Southwest.

Ron Verschueren, Business Manager joined Jal Public Schools over 32 years ago. Prior to becoming a business manager in 2015 he has held various positions including Teacher and Principal. Ron has received his Bachelor's Degree from Eastern NM University and a Master's Degree from NM Highlands University.

## Insurance

The District is a member of the New Mexico State Public School Insurance Authority (the "Insurance Authority") which was established to provide a comprehensive insurance program for school districts, board members and retirees, and public school employees and retirees within the State. The Insurance Authority provides group health insurance, workman's compensation, property and casualty insurance, general automobile and fire insurance and general liability insurance for the District, its property, its board members and employees.

## Accreditation

All of the District's schools are accredited by the State of New Mexico's Public Education Department. The accreditation is by school and district.

## Student Enrollment

The District's enrollment for the current year and prior four years is as follows:

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Elementary	199	192	215	236	239	247
Middle	91	84	80	91	101	98
High	119	101	119	133	128	129
<b>Total</b>	<b>409</b>	<b>377</b>	<b>414</b>	<b>460</b>	<b>468</b>	<b>474</b>

Source: New Mexico Public Education Department

## FINANCES OF THE EDUCATIONAL PROGRAM

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 the judicial process, and are subject to legislative changes as well. As a result, the District cannot anticipate with certainty all of the factors which may influence the financing of its future activities. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District.

### Sources of Revenue 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 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 sources of revenue for the District's General Fund are:

Local Revenues - Local revenues are a 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 \$550,243 from local sources.

Federal Revenues - Another source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs and P.L. 874 federal impact moneys paid to the District in lieu of taxes on federal land located in the District. In fiscal year 2015, the District has not received federal revenues for its General Fund.

State Revenues - The District's largest source of annual revenue is derived from the State equalization guarantee payments described below. During fiscal year 2015, the District received \$3,891,568 from state sources. Such payments represented approximately 87.61% actual fiscal year 2015 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 cost increases for growth in enrollment from one year to the next, and adjustments for the creation of new districts.

SEG payments are made monthly and prior to June 30 each fiscal year. The calculation of the distribution is also based on the local and federal revenues received from July 1 of the previous fiscal year through May 31 of the fiscal year for which the State distribution is being computed. In the event that a district receives more SEG funds than its entitlement, 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 budgeted past five fiscal years are as follows:

<b>Year</b>	<b>Program Unit Value</b>	<b>Number of Program Units</b>	<b>SEG Payment</b>
2015-16	\$4,027.75	1,011	\$4,073,195
2014-15	4,005.75	961	3,849,526
2013-14	3,817.55	949	3,622,855
2012-13	3,668.18	897	3,290,357
2011-12	3,585.97	847	3,037,317
2010-11	3,674.75	925	3,397,788

*Source: New Mexico Public Education Department and the District.*

The PED receives Federal mineral-leasing funds from which it makes annual allocations to the school district for purchasing text books. In 2014-15, the District received \$ 798,258 of cash and credit for textbook purchases.

The District is also reimbursed by the State for the costs of transporting pupils to and from school pursuant to the Act. 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 \$5,657,097 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 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 July 12, 2016 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. An instance in which such requests will be approved include a change within the budget that does not increase the total amount of the budget. Additional budget items may also be approved if the District is to receive unanticipated revenues. Finally, if it becomes necessary to increase the District's budget by more than \$1,000 for any reason other than those listed above, 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 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.



## Balance Sheet – General Fund Only

The following is a history of the District's General Fund Balance Sheet. The General Fund includes Operational, Transportation and Instructional Materials. See financial statements for the fiscal year ending June 30, 2015 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2015 and the last four years can be downloaded from the State Auditor's website using the following link [http://www.saonm.org/audit\\_reports](http://www.saonm.org/audit_reports).

BALANCE SHEET - GENERAL FUND					
	06/30/11	06/30/12	06/30/13	06/30/14	06/30/15
<b>ASSETS:</b>					
Cash & Cash equivalents	\$ 430,417	\$ 304,406	\$ 237,926	\$ 381,672	\$ 550,805
Receivables	8,613	12,687	-	-	-
Property Taxes	-	-	847	634	25,748
Interfund Balance	-	-	216,924	102,474	118,380
Due from other funds	245,807	278,112	-	-	-
<b>Total Assets</b>	<b>\$ 684,837</b>	<b>\$ 595,205</b>	<b>\$ 455,697</b>	<b>\$ 484,780</b>	<b>\$ 694,933</b>
<b>Liabilities and Fund Balances</b>					
Accounts Payable	\$ -	\$ -	\$ 12,311	\$ 18,452	\$ 18,039
Deferred Revenue	-	-	622	-	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,933</b>	<b>\$ 18,452</b>	<b>\$ 18,039</b>
<b>Deferred Inflow of Resources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 358</b>	<b>\$ -</b>
<b>Fund balances:</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Special Revenue	2,299	746	-	-	-
Capital Projects	3,616	9,869	-	-	-
Unassigned	678,922	584,590	442,764	465,970	676,894
<b>Total Fund balances</b>	<b>\$ 684,837</b>	<b>\$ 595,205</b>	<b>\$ 442,764</b>	<b>\$ 465,970</b>	<b>\$ 676,894</b>
<b>Total Liabilities and fund balances</b>	<b>\$ 684,837</b>	<b>\$ 595,205</b>	<b>\$ 455,697</b>	<b>\$ 484,780</b>	<b>\$ 694,933</b>

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for year ended June 30, 2015 is attached as Appendix B.

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

The following is a history of the District's General Fund Statement of Statement of Revenues, Expenditures & Changes in Fund Balances. The General Fund includes Operational, Transportation and Instructional Materials. See financial statements for the fiscal year ending June 30, 2015 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2015 and the last four years can be downloaded from the State Auditor's website using the following link [http://www.saonm.org/audit\\_reports](http://www.saonm.org/audit_reports).

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES - GENERAL FUND <sup>(1)</sup>					
	06/30/2011	06/30/2012	06/30/2013	06/30/2014	06/30/2015
<b><u>Revenues:</u></b>					
Property Taxes	\$121,207	\$153,868	\$186,409	\$363,016	\$490,931
Investment Income	1,134	1,073	725	70	81
Fees	-	-	9,132	1,146	6,109
State and Local Grants	3,466,657	3,315,698	3,438,075	3,790,425	3,891,568
Federal Grants	-	-	-	-	-
Refunds & Reimbursements	15,824	11,990	-	-	-
Miscellaneous	13,429	10,041	128,222	62,397	53,122
<b>Total Revenues</b>	<b>\$3,618,251</b>	<b>\$3,492,670</b>	<b>\$3,762,563</b>	<b>\$4,217,054</b>	<b>\$4,441,811</b>
<b><u>Expenditures:</u></b>					
Instruction	\$2,066,628	\$1,929,562	\$2,159,787	\$2,288,542	\$2,379,479
Student support services	109,800	-	-	-	-
Students	3,652	130,015	142,028	129,821	186,284
Instruction	190,325	45,789	51,745	50,457	93,091
General Administration	248,373	178,955	188,718	300,947	183,464
School Administration	118,469	246,624	261,654	286,465	312,679
Central Services	699,459	91,698	103,126	115,711	75,260
Operation of Plant	173,544	747,968	659,933	784,698	773,751
Student Transportation	57,319	154,421	175,033	165,761	161,150
Other	7,133	1,716	93,153	753	900
Food Service	-	50,850	71,687	64,962	53,878
Community Services	-	4,704	11,855	5,731	10,951
<b>Total Expenditures</b>	<b>\$3,674,702</b>	<b>\$3,582,302</b>	<b>\$3,918,719</b>	<b>\$4,193,848</b>	<b>\$4,230,887</b>
Excess (deficiency) of revenues over expenditures	(56,451)	(89,632)	(156,156)	23,206	210,924
Other financing sources (uses)	-	-	3,715	-	-
Net changes in fund balances	(56,451)	(89,632)	(152,441)	-	210,924
Fund Balance, beginning of year	741,288	684,837	595,205	465,970	465,970
<b>Fund Balance, end of year</b>	<b><u>\$684,837</u></b>	<b><u>\$595,205</u></b>	<b><u>\$442,764</u></b>	<b><u>\$465,970</u></b>	<b><u>\$676,894</u></b>
<b>GF Balance as % of Revenues</b>	<b>18.9%</b>	<b>17.0%</b>	<b>11.8%</b>	<b>11.0%</b>	<b>15.2%</b>

(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.

## **Other Funds Maintained by the School District**

### **Debt Service Fund**

The county treasurer levies and collects debt service funds sufficient to retire bonded debt as it becomes due and payable. Such funds are distributed to the District and accounted for separately from operating funds. The District is allowed to borrow all District funds if the collections are insufficient, but such borrowings must be repaid from tax collections. Debt service funds may not be used for general operating purposes.

### **Capital Project Fund**

The Capital Projects Fund is used to account for the revenues and expenditures under the provisions of two State programs and general obligation bonds issued by the District.

### **Public School Capital Improvements Fund**

The Public School Capital Improvements Fund exists to account for revenues received under provisions of the Public School Capital Improvements Act, NMSA 1978, Sections 22-25-1 et. seq. The act provides for imposition of a property tax to produce revenue for capital improvements. The act further provides that funds will be distributed by the State to those school districts that impose the special property tax.

### **General Obligation Bonds**

The Capital Projects Fund is also used to account for the costs relating to erecting, remodeling, making additions to and furnishing school buildings or purchasing or improving school grounds and purchasing computer software and hardware for student use in public school classrooms, or any combination of these purposes.

### **Fiduciary Funds**

The District acts as an agent for the various organizations by facilitating collection of revenues and payments of expenses.

### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

## **Employees and Retirement Plan**

The District employs 68 permanent employees of which 3 are administrators, 31 are teachers and other professional instructional personnel, 12 are instructional assistants, and 6 are support and administrative staff.

### **ERA Pension Plan**

Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act ("ERA") (Chapter 22, Article 11 NMSA 1978.) The Educational Retirement Board is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERA, P.O. Box 26129, Santa Fe, New Mexico 87502.

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

<b>Fiscal Year Ending June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Average Asset Balance</b>
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
2015	395,129,621	294,560,840	11,642,543,051

Source: State of New Mexico Educational Retirement Board

### Funding Policy

#### **Contributions:**

The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 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 were \$344,165 for the year ended June 30, 2015.

#### **Net Pension Liability:**

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the District reported a liability of \$5,404,459 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11 21, NMSA 1978. At June 30, 2014, the District proportion was .09472 percent, which was a decrease of .00373 percent from its proportion measured as of June 30, 2013.

### Post-Employment Benefits

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment health care plan. That report and further information can be obtained by writing to RHCA, 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 health care 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 premiums to cover their claims and the administrative expenses of plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://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 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 The Retiree Health Care Act.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 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, 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 \$49,526, \$52,217 and \$53,365 respectively, which equal the required contributions for each year.

## 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 about the validity of the Bonds or the use of Bond proceeds, 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 "A3 Underlying/Aa2 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.

## **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's (the "MSRB") Electronic Municipal Market Access ("EMMA") system, 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," and "FINANCES OF THE EDUCATIONAL PROGRAM - State Equalization Program, Statement of Net Assets, Statement of Activities, Balance Sheet – General Fund, Statement of Revenues & Expenditures & Changes in Fund Balances – General Fund." The District will update and provide this information no later than March 31 of each year, commencing March 31, 2017. 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, the District will provide unaudited financial statements 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 principles 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 delinquency; 2) non-payment related default, if material; 3) unscheduled draw on debt service reserves reflecting financial difficulties; 4) unscheduled draw on credit enhancements reflecting financial difficulties; 5) substitution of credit or liquidity provider, or their failure to perform; 6) adverse tax opinion, 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 notice or determination with respect to the tax status of the security, or other material events affecting the tax status of the security; 7) modification to rights of security holders, if material; 8) bond calls; 9) defeasances; 10) release, substitution or sale of property securing repayment of the security, if material; 11) rating change; 12) failure to provide event filing information as required; 13) tender offer/secondary market purchases; 14) merger, consolidation or acquisition and sale of all or substantially all assets; 15) bankruptcy, insolvency, receivership or similar event with respect to the District or an obligated person; and 16) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

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.

## **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/ \_\_\_\_\_  
\_\_\_\_\_, President, Board of Education

/s/ \_\_\_\_\_  
\_\_\_\_\_, Secretary, Board of Education

## APPENDIX A

### ECONOMIC & DEMOGRAPHIC INFORMATION

## THE ECONOMY

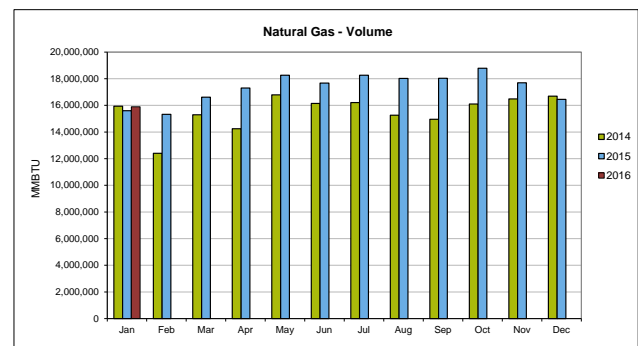
The Jal Public School District No. 19 is located in Lea County in the southeast quadrant of New Mexico. This area of the State is primarily an oil and natural gas production.

### Oil and Gas

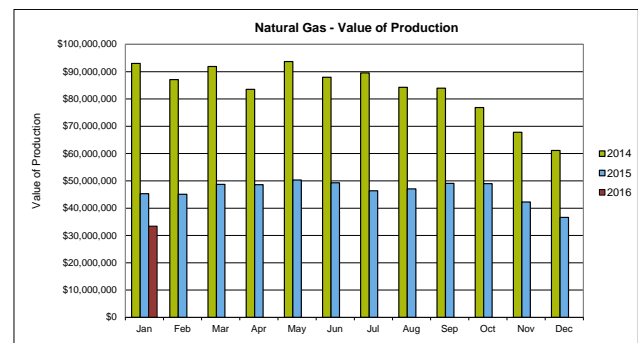
The oil and gas industry is an important component of the Lea County economy. The following tables present the history of oil and gas production in the County and the State as reported to the State Department of Taxation & Revenue by the Oil and Gas Accounting Division.

Year	Crude Oil		Natural Gas	
	Volume (bbls)	Value (\$000s)	Volume (MCF)	Value (\$000s)
2014	57,633,462	4,833,961	186,551,214	1,000,724
2013	45,543,543	4,216,309	174,058,502	876,223
2012	37,214,174	3,260,570	172,704,832	857,600
2011	34,197,270	3,114,605	171,869,835	1,170,418
2010	33,269,775	2,520,786	188,481,308	1,103,737
2009	34,063,575	1,923,931	204,869,316	923,197
2008	34,881,518	3,353,641	204,484,816	1,796,655
2007	35,416,510	2,396,924	559,345,341	3,898,696
2006	35,982,538	2,197,964	218,161,408	1,446,690
2005	36,135,332	1,890,874	215,777,273	1,564,179
2004	36,801,464	1,449,528	217,072,818	1,215,886

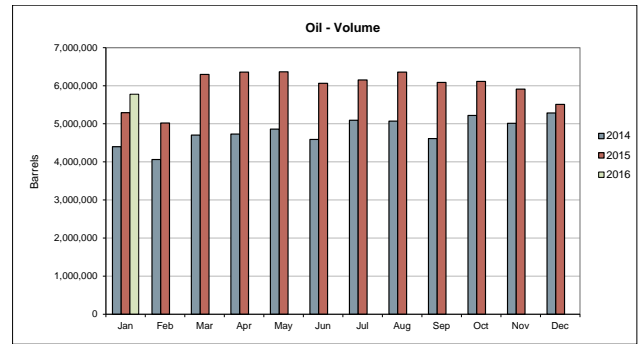
Natural Gas Volume					
	2014	2015	% Change	2016	% Change
Jan	15,939,660	15,598,495	-2.14%	15,894,474	1.90%
Feb	12,408,866	15,327,316	23.52%		
Mar	15,296,253	16,617,808	8.64%		
Apr	14,247,976	17,301,324	21.43%		
May	16,793,864	18,264,423	8.76%		
Jun	16,144,213	17,674,027	9.48%		
Jul	16,215,444	18,260,565	12.61%		
Aug	15,260,332	18,026,126	18.12%		
Sep	14,956,828	18,031,020	20.55%		
Oct	16,106,835	18,785,829	16.63%		
Nov	16,487,911	17,693,392	7.31%		
Dec	16,693,032	16,449,805	-1.46%		
<b>Total</b>	<b>186,551,214</b>	<b>208,030,130</b>		<b>15,894,474</b>	



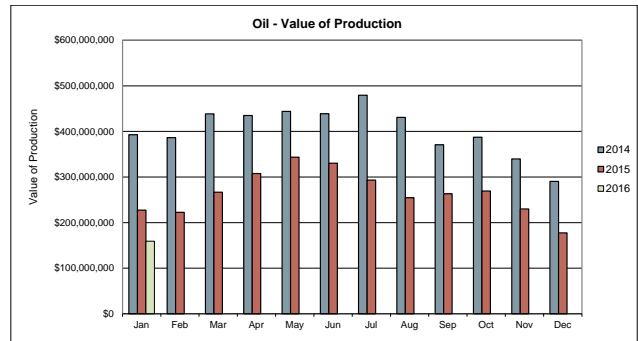
Natural Gas Value					
	2014	2015	% Change	2016	% Change
Jan	\$ 93,027,108	\$ 45,305,512	-51.30%	\$33,402,822	-26.27%
Feb	87,074,268	45,079,818	-48.23%		
Mar	91,893,964	48,726,727	-46.98%		
Apr	83,549,203	48,641,269	-41.78%		
May	93,701,041	50,313,932	-46.30%		
Jun	87,928,000	49,327,771	-43.90%		
Jul	89,535,856	46,368,036	-48.21%		
Aug	84,298,238	47,094,081	-44.13%		
Sep	83,935,239	49,101,663	-41.50%		
Oct	76,853,542	48,975,193	-36.27%		
Nov	67,805,110	42,268,826	-37.66%		
Dec	61,122,457	36,602,843	-40.12%		
<b>Total</b>	<b>\$ 1,000,724,025</b>	<b>\$ 557,805,672</b>		<b>\$ 33,402,822</b>	



Oil Volume					
	2014	2015	%Change	2016	%Change
Jan	4,398,601	5,293,664	20.35%	5,776,954	9.13%
Feb	4,060,698	5,020,995	23.65%		
Mar	4,704,034	6,296,099	33.84%		
Apr	4,729,530	6,356,911	34.41%		
May	4,858,734	6,364,950	31.00%		
Jun	4,589,410	6,062,830	32.10%		
Jul	5,094,838	6,151,134	20.73%		
Aug	5,069,516	6,357,885	25.41%		
Sep	4,612,628	6,087,689	31.98%		
Oct	5,221,002	6,112,922	17.08%		
Nov	5,011,730	5,910,852	17.94%		
Dec	5,282,741	5,511,560	4.33%		
<b>Total</b>	<b>57,633,462</b>	<b>71,527,491</b>		<b>5,776,954</b>	



Oil Value					
	2014	2015	%Change	2016	%Change
Jan	\$ 392,907,990	\$ 227,505,162	-42.10%	\$ 159,275,910	-29.99%
Feb	386,343,693	222,716,549	-42.35%		
Mar	438,563,944	266,747,675	-39.18%		
Apr	434,947,595	307,651,105	-29.27%		
May	443,938,969	343,491,134	-22.63%		
Jun	438,654,366	330,320,310	-24.70%		
Jul	479,507,039	293,449,780	-38.80%		
Aug	430,923,033	254,555,208	-40.93%		
Sep	370,692,736	263,084,102	-29.03%		
Oct	387,298,512	269,193,354	-30.49%		
Nov	339,679,936	229,937,870	-32.31%		
Dec	290,503,299	177,374,736	-38.94%		
<b>Total</b>	<b>\$ 4,833,961,111</b>	<b>\$ 3,186,026,986</b>		<b>\$ 159,275,910</b>	



#### CRUDE OIL SALES - COUNTY COMPARISON

County	2012		2013		2014		2015	
	Volume (bbls)	Value (\$000s)	Volume (bbls)	Value (\$000s)	Volume (bbls)	Value (\$000s)	Volume (bbls)	Value (\$000s)
Eddy	45,520,609	\$3,980,107	53,330,702	\$4,940,701	60,463,953	\$5,081,431	71,527,491	\$3,186,027
Lea	37,214,174	3,260,570	45,543,543	4,216,309	57,633,462	4,833,961	66,685,460	2,986,951
San Juan	977,284	79,310	1,393,622	118,921	2,471,661	193,423	4,112,885	156,173
Sandoval	157,090	12,775	757,246	67,276	1,833,371	142,639	2,682,370	102,449
Chaves	1,841,355	161,414	1,540,044	140,675	1,517,894	119,918	2,144,262	82,685
Rio Arriba	1,098,129	89,926	1,119,881	94,937	1,463,514	121,468	1,344,064	59,112
Roosevelt	275,518	23,976	221,331	20,233	219,735	18,439	185,086	8,112
McKinley	40,364	3,255	58,429	4,932	58,094	4,638	29,426	1,091

#### NATURAL GAS SALES - COUNTY COMPARISON

County	2012		2013		2014		2015	
	Volume (MCF)	Value (\$000s)	Volume (MCF)	Value (\$000s)	Volume (MCF)	Value (\$000s)	Volume (MCF)	Value (\$000s)
San Juan	426,935,918	\$1,638,005	390,823,915	\$1,732,539	378,569,589	\$1,918,795	365,471,873	\$1,024,309
Eddy	241,376,881	1,038,135	257,345,438	1,239,623	316,917,359	1,509,639	296,623,329	809,379
Rio Arriba	319,144,843	1,306,974	291,544,849	1,358,207	272,981,989	1,446,967	264,590,563	771,451
Lea	172,704,832	857,600	174,058,502	876,223	186,551,214	1,000,724	208,030,130	557,806
Colfax	26,855,659	73,624	25,235,846	91,706	23,618,631	102,457	22,308,907	56,589
Chaves	18,726,148	63,911	16,565,728	66,120	14,633,719	68,679	12,497,384	31,424
Sandoval	2,461,190	8,613	2,508,185	11,566	4,814,635	28,032	9,696,987	33,412
Roosevelt	2,397,985	9,866	1,766,165	8,065	2,540,556	12,289	2,206,607	5,158

Source: New Mexico Taxation and Revenue Department, Oil & Gas Accounting Division

## Population

The following chart sets forth historical and current population data for the City of Jal, Lea County and the State.

Census Year	City of Jal	Lea County	State of New Mexico
1960	3,051	53,429	951,023
1970	2,602	52,517	1,017,055
1980	2,675	55,993	1,303,143
1990	2,153	55,765	1,515,069
2000	1,996	55,511	1,826,280
2010	2,047	64,727	2,065,826
2014*	N/A	69,999	2,085,572
2016 <sup>(1)</sup>	2,278	72,395	2,088,585
2021 <sup>(1)</sup>	2,426	77,633	2,111,960
Projected Growth 2016-	6.50%	7.24%	1.12%

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

Last Revised: March -2015

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

(2) Projected. Source: The Nielsen Company, March 2016

## Age Distribution

The following table sets forth a comparative age distribution profile for Lea County, the State of New Mexico and the United States.

Age Group	Lea County	New Mexico	United States
0 - 17	29.72%	24.19%	22.97%
18 - 24	10.14%	9.87%	9.84%
25 - 34	14.32%	13.26%	13.35%
35 - 44	12.43%	11.84%	12.63%
45 - 54	11.44%	12.20%	13.33%
55 and Older	21.95%	28.64%	27.88%

Source: The Nielsen Company, March 2016

## 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.

Effective Buying Income Group	Lea County	New Mexico	United States
Under \$25,000	17.87%	29.15%	22.72%
\$25,000 - \$34,999	9.19%	11.18%	9.97%
\$35,000 - \$49,999	14.03%	13.88%	13.41%
\$50,000 - \$74,999	19.73%	17.21%	17.60%
\$75,000 & Over	39.17%	28.57%	36.30%
2012 Est. Median Household Income	\$40,778	\$41,958	\$49,581
2013 Est. Median Household Income	\$45,214	\$43,273	\$49,297
2014 Est. Median Household Income	\$52,705	\$44,292	\$51,579
2015 Est. Median Household Income	\$56,651	\$45,633	\$53,706
2016 Est. Median Household Income	\$61,289	\$45,445	\$55,551

Source: The Nielsen Company, March 2016

## Employment

The following table presents information on employment within Lea County, the State of New Mexico, and the United States, for the periods indicated. The annual unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends.

Year <sup>(1)</sup>	Lea County		State of New Mexico		United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2016 <sup>(2)</sup>	28,932	8.10%	916,878	6.10%	5.10%
2015	29,428	6.20%	919,889	6.60%	5.30%
2014	30,192	4.30%	918,206	6.50%	6.20%
2013	29,227	4.50%	922,960	6.90%	7.40%
2012	28,268	4.70%	928,050	7.10%	8.10%
2011	27,159	5.60%	929,862	7.60%	8.90%
2010	26,292	7.90%	936,088	8.10%	9.60%
2009	28,329	7.90%	940,352	7.50%	9.30%
2008	29,278	2.90%	944,548	4.50%	5.80%
2007	27,686	2.50%	934,027	3.80%	4.60%
2006	26,605	3.10%	928,094	4.20%	4.60%

(1) Numbers are annual averages.

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

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

## Major Employers

The following table shows major employers with over 200 employees in Lea County.

Employer	Type of Business
Hobbs Municipal Schools	Education
New Mexico Junior College	Education
Key Energy Services	Oilfield Services
Lea Regional Medical Center	Health Care
City of Hobbs	Municipal Government
Lovington Municipal Schools	Education
Pool Company of Texas, Ltd.	Oil field Services
Wal-Mart	Department Store
Lea County	County Government
Patterson-UTI Drilling Co	Oil field Services
Halliburton	Oil field Services

Source: Hobbs chamber of Commerce

[http://www.hobbschamber.org/Hobbs\\_Major\\_Employers.aspx](http://www.hobbschamber.org/Hobbs_Major_Employers.aspx)

## Covered Wage and Salary Employment

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

Lea County					
	2011	2012	2013	2014	2015 <sup>(1)</sup>
<b>Grand Total</b>	<b>28,548</b>	<b>30,161</b>	<b>31,760</b>	<b>33,349</b>	<b>30,412</b>
Total Private	25,076	26,716	28,208	29,718	27,132
Accommodation and Food Services	2,074	2,153	2,324	2,417	2,584
Administrative and Waste Services	1,631	1,589	1,592	1,554	1,236
Agriculture, Forestry, Fishing & Hunting	361	401	442	501	471
Arts, Entertainment, and Recreation	352	Confidential	Confidential	Confidential	326
Construction	2,562	2,476	3,011	3,217	2,459
Educational Services	108	Confidential	Confidential	Confidential	112
Finance and Insurance	671	592	625	626	638
Health Care and Social Assistance	2,388	2,303	2,388	2,399	2,436
Information	307	314	311	267	235
Management of Companies and Enterprises	115	116	118	121	118
Manufacturing	955	1,039	1,029	976	896
Mining	6,292	7,481	8,033	8,836	7,478
Other Services, Ex. Public Admin	707	771	769	824	828
Professional and Technical Services	556	589	613	627	516
Real Estate and Rental and Leasing	442	470	519	531	458
Retail Trade	2,896	2,963	3,021	3,228	3,314
Transportation and Warehousing	1,348	1,595	1,590	1,790	1,767
Utilities	328	335	335	339	346
Wholesale Trade	983	1,082	1,072	1,040	913
Total Government	3,471	3,445	3,552	3,631	3,280

(1) Data as of Third 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.

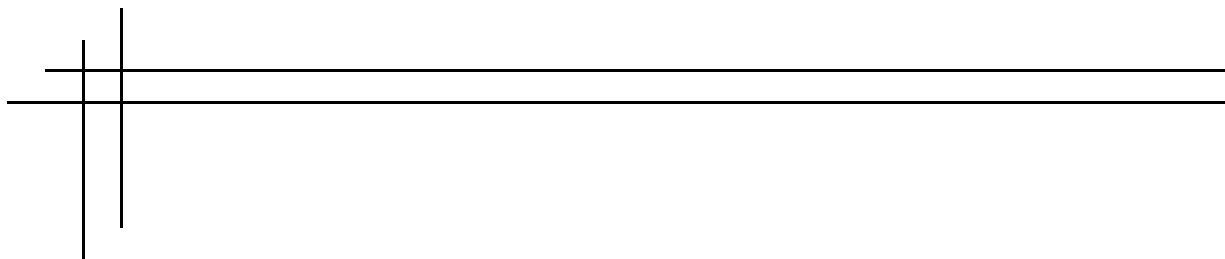
Note: Figures shown here are annual averages of quarterly data.

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



APPENDIX B

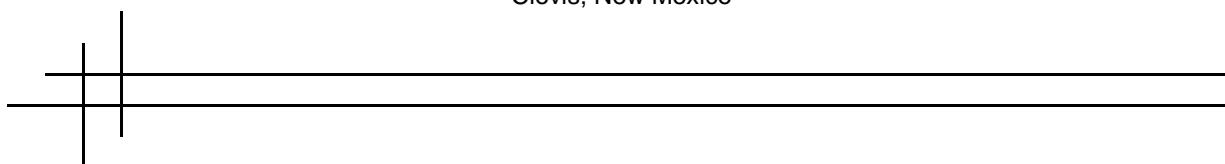
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2015



STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**

**ANNUAL FINANCIAL REPORT**  
June 30, 2015

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Clovis, New Mexico



STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
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**JAL PUBLIC SCHOOLS**  
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STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
Official Roster  
June 30, 2015

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**BOARD OF EDUCATION**

Jim Gross	President
Ricky Miller	Vice-President
Jamie Earp	Secretary
Jenny Edwards	Member
Kayla Lujan	Member

**SCHOOL OFFICIALS**

Brian Snider	Superintendent
Leticia Segovia	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Jal Public Schools

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general funds and major special revenue funds of Jal Public Schools (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, and the budgetary comparisons for the major capital projects funds 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 misstatements, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

#### Other Matters

##### Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

##### Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule required by 2.2.2.NMAC are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule required by 2.2.2 NMAC is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Vendor Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

##### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 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.

 CPA PC

Clovis, New Mexico  
November 2, 2015



## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
Government-Wide Statement of Net Position  
June 30, 2015

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	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 11,618,516
Investments	1,410,361
Taxes Receivable	128,816
Due From Grantor	130,451
Inventory	5,902
Total Current Assets	<u>13,294,046</u>
Noncurrent Assets	
Capital Assets	25,007,420
Less: Accumulated Depreciation	<u>(19,203,469)</u>
Total Noncurrent Assets	<u>5,803,951</u>
Total Assets	<u>19,097,997</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	<u>344,165</u>
Total Deferred Outflows of Resources	<u>344,165</u>
Liabilities	
Current Liabilities	
Accounts Payable	140,325
Compensated Absences	15,874
Total Current Liabilities	<u>156,199</u>
Long-Term Liabilities	
Bonds	9,500,000
Pension Liability	5,404,459
Total Long-Term Liabilities	<u>14,904,459</u>
Total Liabilities	<u>15,060,658</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	<u>745,598</u>
Total Deferred Inflows of Resources	<u>745,598</u>
Net Position	
Net Investment in Capital Assets	5,803,951
Restricted for Capital Projects	12,315,497
Restricted for Debt Service	95,083
Unrestricted	<u>(14,578,625)</u>
Total Net Position	<u>\$ 3,635,906</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
Government-Wide Statement of Activities  
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 2,873,947	\$ 28,633	\$ 162,186	\$ 0	\$ (2,683,128)
Support Services					
Students	266,528	0	78,973	0	(187,555)
Instruction	93,091	0	0	0	(93,091)
General Administration	195,512	0	8,169	0	(187,343)
School Administration	310,945	0	0	0	(310,945)
Central Services	81,304	0	4,275	0	(77,029)
Operation & Maintenance of Plant	1,435,591	2,500	0	0	(1,433,091)
Student Transportation	160,301	0	182,611	0	22,310
Other	900	0	0	0	(900)
Food Services	199,908	23,364	123,202	0	(53,342)
Community Service	10,951	0	0	0	(10,951)
Total Governmental Activities	\$ 5,628,978	\$ 54,497	\$ 559,416	\$ 0	(5,015,065)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					490,573
Property Taxes, Levied for Capital Projects					1,964,434
Federal and State aid not restricted to specific purpose					
General					3,676,301
Capital					15,165
Interest and investment earnings					1,456
Miscellaneous					221,567
Subtotal, General Revenues					6,369,496
Change in Net Position					1,354,431
Net Position - Beginning					8,117,709
Restatement					(5,836,234)
Restated Beginning Net Position					2,281,475
Net Position - Ending					\$ 3,635,906

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2015

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
<b>Assets</b>			
Cash and Cash Equivalents	\$ 472,416	\$ 2,500	\$ 37,267
Investments	0	0	0
Receivables			
Property Taxes	25,748	0	0
Due From Grantor	0	0	0
Interfund Balance	118,380	0	0
Inventory	0	0	0
Total Assets	<u>\$ 616,544</u>	<u>\$ 2,500</u>	<u>\$ 37,267</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 16,108	\$ 1,931	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>16,108</u>	<u>1,931</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Projects	0	0	0
Debt Service	0	0	0
Unassigned	600,436	569	37,267
Total Fund Balances	<u>600,436</u>	<u>569</u>	<u>37,267</u>
Total Liabilities and Fund Balances	<u>\$ 616,544</u>	<u>\$ 2,500</u>	<u>\$ 37,267</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2015

	General	Special Revenue	
	Instructional Material 14000	Title I 24101	IDEA B Entitlement 24106
<b>Assets</b>			
Cash and Cash Equivalents	\$ 38,622	\$ 0	\$ 0
Investments	0	0	0
Receivables			
Property Taxes	0	0	0
Due From Grantor	0	13,749	47,225
Interfund Balance	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 38,622</u>	<u>\$ 13,749</u>	<u>\$ 47,225</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	13,749	47,225
Total Liabilities	<u>0</u>	<u>13,749</u>	<u>47,225</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Projects	0	0	0
Debt Service	0	0	0
Unassigned	38,622	0	0
Total Fund Balances	<u>38,622</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 38,622</u>	<u>\$ 13,749</u>	<u>\$ 47,225</u>

The notes to the financial statements are an integral part  
of this statement.

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2015

	Special Revenue		
	Capital Projects		
	NM Reads to Lead 27114	Bond Building 31100	Senate Bill Nine 31700
<b>Assets</b>			
Cash and Cash Equivalents	\$ 0	\$ 8,136,613	\$ 2,775,670
Investments	0	1,410,361	0
Receivables			
Property Taxes	0	0	103,068
Due From Grantor	47,513	0	12,071
Interfund Balance	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 47,513</u>	<u>\$ 9,546,974</u>	<u>\$ 2,890,809</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 122,286
Interfund Balance	47,513	0	0
Total Liabilities	<u>47,513</u>	<u>0</u>	<u>122,286</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Projects	0	9,546,974	2,768,523
Debt Service	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>9,546,974</u>	<u>2,768,523</u>
Total Liabilities and Fund Balances	<u>\$ 47,513</u>	<u>\$ 9,546,974</u>	<u>\$ 2,890,809</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2015

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	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>		
Cash and Cash Equivalents	\$ 155,428	\$ 11,618,516
Investments	0	1,410,361
Receivables		
Property Taxes	0	128,816
Due From Grantor	9,893	130,451
Interfund Balance	0	118,380
Inventory	5,902	5,902
Total Assets	<u>\$ 171,223</u>	<u>\$ 13,412,426</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 0	\$ 140,325
Interfund Balance	9,893	118,380
Total Liabilities	<u>9,893</u>	<u>258,705</u>
<b>Fund Balances</b>		
Nonspendable-Inventory	5,902	5,902
Restricted for:		
Special Revenue	60,345	60,345
Capital Projects	0	12,315,497
Debt Service	95,083	95,083
Unassigned	0	676,894
Total Fund Balances	<u>161,330</u>	<u>13,153,721</u>
Total Liabilities and Fund Balances	<u>\$ 171,223</u>	<u>\$ 13,412,426</u>

The notes to the financial statements are an integral part  
of this statement.

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 June 30, 2015

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Total Fund Balance - Governmental Funds \$ 13,153,721

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

Capital assets used in governmental activities are not  
 financial resources and therefore are not reported as  
 assets in governmental funds.

Capital Assets	\$ 25,007,420	
Accumulated Depreciation	<u>(19,203,469)</u>	5,803,951

Deferred Outflows and Inflows Related to Pensions are the  
 results of differences in expected and actual experience

Deferred Outflows Related to Pensions	344,165	
Deferred Inflows Related to Pensions	<u>(745,598)</u>	(401,433)

Long-term and certain other liabilities, including bonds  
 payable, are not due and payable in the current period and  
 therefore are not reported as liabilities in the funds. Long-  
 term and other liabilities at year end consist of :

Compensated Absences	(15,874)	
Bond Payable	(9,500,000)	
Pension Liability	<u>(5,404,459)</u>	<u>(14,920,333)</u>

Total Net Position - Governmental Activities	\$	<u><u>3,635,906</u></u>
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The notes to the financial statements are an integral part of this statement.



STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2015

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 490,931	\$ 0	\$ 0
Investment Income	81	0	0
Fees	3,609	2,500	0
State and Local Grants	3,676,301	0	182,611
Federal Grants	0	0	0
Miscellaneous	53,122	0	0
Total Revenues	<u>4,224,044</u>	<u>2,500</u>	<u>182,611</u>
Expenditures			
Current			
Instruction	2,372,301	0	0
Support Services			
Students	186,284	0	0
Instruction	93,091	0	0
General Administration	183,464	0	0
School Administration	312,679	0	0
Central Services	75,260	0	0
Operation of Plant	771,820	1,931	0
Student Transportation	1,738	0	159,412
Other	900	0	0
Food Service	53,878	0	0
Community Services	10,951	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>4,062,366</u>	<u>1,931</u>	<u>159,412</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>161,678</u>	<u>569</u>	<u>23,199</u>
Other Financing Sources (Uses)			
Bond Proceeds	0	0	0
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	161,678	569	23,199
Fund Balances at Beginning of Year	<u>438,758</u>	<u>0</u>	<u>14,068</u>
Fund Balances End of Year	<u>\$ 600,436</u>	<u>\$ 569</u>	<u>\$ 37,267</u>

The notes to the financial statements are an integral part  
of this statement.

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2015

	General	Special Revenue	
	Instructional Material 14000	Title I 24101	IDEA B Entitlement 24106
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Investment Income	0	0	0
Fees	0	0	0
State and Local Grants	32,656	0	0
Federal Grants	0	56,219	128,403
Miscellaneous	0	0	0
Total Revenues	<u>32,656</u>	<u>56,219</u>	<u>128,403</u>
Expenditures			
Current			
Instruction	7,178	56,219	56,051
Support Services			
Students	0	0	68,077
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Central Services	0	0	4,275
Operation of Plant	0	0	0
Student Transportation	0	0	0
Other	0	0	0
Food Service	0	0	0
Community Services	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>7,178</u>	<u>56,219</u>	<u>128,403</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>25,478</u>	<u>0</u>	<u>0</u>
Other Financing Sources (Uses)			
Bond Proceeds	0	0	0
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	25,478	0	0
Fund Balances at Beginning of Year	<u>13,144</u>	<u>0</u>	<u>0</u>
Fund Balances End of Year	<u>\$ 38,622</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part  
of this statement.

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2015

	Special Revenue	Capital Projects	
	NM Reads to Lead 27114	Bond Building 31100	Senate Bill Nine 31700
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 1,966,067
Investment Income	0	0	1,375
Fees	0	0	0
State and Local Grants	47,513	0	15,165
Federal Grants	0	0	0
Miscellaneous	0	62,000	11,362
Total Revenues	<u>47,513</u>	<u>62,000</u>	<u>1,993,969</u>
Expenditures			
Current			
Instruction	47,513	0	36,490
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	1,661
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	663,663
Student Transportation	0	0	0
Other	0	0	0
Food Service	0	0	0
Community Services	0	0	0
Capital Outlay	0	15,026	904,655
Total Expenditures	<u>47,513</u>	<u>15,026</u>	<u>1,606,469</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>46,974</u>	<u>387,500</u>
Other Financing Sources (Uses)			
Bond Proceeds	0	9,500,000	0
Total Other Sources (Uses)	<u>0</u>	<u>9,500,000</u>	<u>0</u>
Net Change in Fund Balance	0	9,546,974	387,500
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>2,381,023</u>
Fund Balances End of Year	<u>\$ 0</u>	<u>\$ 9,546,974</u>	<u>\$ 2,768,523</u>

The notes to the financial statements are an integral part  
of this statement.

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2015

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	Other Governmental Funds	Total Governmental Funds
Revenues		
Property Taxes	\$ 0	\$ 2,456,998
Investment Income	0	1,456
Fees	48,388	54,497
State and Local Grants	1,858	3,956,104
Federal Grants	157,669	342,291
Miscellaneous	95,083	221,567
Total Revenues	<u>302,998</u>	<u>7,032,913</u>
Expenditures		
Current		
Instruction	56,931	2,632,683
Support Services		
Students	10,896	265,257
Instruction	0	93,091
General Administration	8,169	193,294
School Administration	0	312,679
Central Services	0	79,535
Operation of Plant	0	1,437,414
Student Transportation	0	161,150
Other	0	900
Food Service	146,779	200,657
Community Services	0	10,951
Capital Outlay	0	919,681
Total Expenditures	<u>222,775</u>	<u>6,307,292</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>80,223</u>	<u>725,621</u>
Other Financing Sources (Uses)		
Bond Proceeds	0	9,500,000
Total Other Sources (Uses)	<u>0</u>	<u>9,500,000</u>
Net Change in Fund Balance	80,223	10,225,621
Fund Balances at Beginning of Year	<u>81,107</u>	<u>2,928,100</u>
Fund Balances End of Year	<u>\$ 161,330</u>	<u>\$ 13,153,721</u>

The notes to the financial statements are an integral part  
of this statement.

## STATE OF NEW MEXICO

**JAL PUBLIC SCHOOLS**

## Reconciliation of the Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balance

## To the Statement of Activities

June 30, 2015

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Net Change in Fund Balance	\$ 10,225,621
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2014	\$ (1,991)	
Property Taxes Receivable, June 30, 2015	<u>0</u>	(1,991)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	(310,432)	
Capital Outlays	<u>919,681</u>	609,249

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net position.	(9,500,000)
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Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2014	7,084	
Compensated Absences, June 30, 2015	<u>(15,874)</u>	(8,790)

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension Expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	344,165	
Pension Expense	<u>(313,823)</u>	<u>30,342</u>

Change in Net Position	\$ <u><u>1,354,431</u></u>
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The notes to the financial statements are an integral part of this statement.

## STATE OF NEW MEXICO

**JAL PUBLIC SCHOOLS**

## GENERAL FUND-OPERATIONAL-11000

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

## For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget-Favorable (Unfavorable)
<b>Revenues</b>				
Property Taxes	\$ 242,458	\$ 242,458	\$ 465,459	\$ 223,001
Investment Income	0	0	81	81
Fees	0	0	3,609	3,609
State Grant	3,588,375	3,588,375	3,676,301	87,926
Miscellaneous	0	0	53,122	53,122
Total Revenues	<u>3,830,833</u>	<u>3,830,833</u>	<u>4,198,572</u>	<u>367,739</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	1,716,533	1,630,516	1,612,124	18,392
Employee Benefits	606,026	571,183	546,239	24,944
Professional & Tech Services	8,450	27,021	22,190	4,831
Purchased Property Services	0	650	647	3
Other Purchased Services	33,085	60,240	57,482	2,758
Supplies	93,600	142,771	133,432	9,339
Supply Assets	1,100	5,500	3,624	1,876
Total Instruction	<u>2,458,794</u>	<u>2,437,881</u>	<u>2,375,738</u>	<u>62,143</u>
<b>Support Services</b>				
<b>Students</b>				
Personnel Services	67,464	100,902	99,342	1,560
Employee Benefits	31,931	29,803	28,595	1,208
Professional & Tech Services	64,875	50,360	50,326	34
Purchased Property Services	300	300	188	112
Other Purchased Services	200	2,200	1,080	1,120
Supplies	5,400	6,839	6,753	86
Total Students	<u>170,170</u>	<u>190,404</u>	<u>186,284</u>	<u>4,120</u>
<b>Instruction</b>				
Personnel Services	33,038	44,268	44,195	73
Employee Benefits	11,021	20,965	20,866	99
Professional & Tech Services	200	0	0	0
Other Purchased Services	0	2,570	2,562	8
Supplies	11,500	24,460	24,458	2
Supply Assets	0	1,009	1,009	0
Total Instruction	<u>55,759</u>	<u>93,272</u>	<u>93,090</u>	<u>182</u>
<b>General Administration</b>				
Personnel Services	124,985	43,036	43,028	8
Employee Benefits	41,915	10,533	10,299	234
Professional & Tech Services	2,742	28,718	26,659	2,059
Other Purchased Services	1,200	85,765	85,758	7
Supplies	13,300	17,665	17,050	615
Total General Administration	<u>\$ 184,142</u>	<u>\$ 185,717</u>	<u>\$ 182,794</u>	<u>\$ 2,923</u>

## STATE OF NEW MEXICO

**JAL PUBLIC SCHOOLS**

## GENERAL FUND-OPERATIONAL-11000

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

## For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget-Favorable (Unfavorable)
School Administration				
Personnel Services	\$ 203,388	\$ 222,091	\$ 221,497	\$ 594
Employee Benefits	119,561	80,616	80,321	295
Professional & Tech Services	7,500	5,915	7,337	(1,422)
Supplies	2,300	3,600	3,269	331
Total School Administration	<u>332,749</u>	<u>312,222</u>	<u>312,424</u>	<u>(202)</u>
Central Services				
Personnel Services	76,989	51,413	51,137	276
Employee Benefits	20,326	15,426	12,216	3,210
Professional & Tech Services	5,350	7,770	7,054	716
Other Purchased Services	1,200	1,700	1,220	480
Supplies	18,000	3,600	3,595	5
Supply Assets	1,000	0	0	0
Total Central Services	<u>122,865</u>	<u>79,909</u>	<u>75,222</u>	<u>4,687</u>
Operation of Plant				
Personnel Services	315,701	303,906	302,336	1,570
Employee Benefits	181,243	105,829	104,970	859
Professional & Tech Services	0	650	400	250
Purchased Property Services	19,757	179,018	176,656	2,362
Other Purchased Services	109,589	181,108	179,713	1,395
Supplies	41,968	20,700	7,034	13,666
Supply Assets	2,200	2,200	580	1,620
Total Operation of Plant	<u>670,458</u>	<u>793,411</u>	<u>771,689</u>	<u>21,722</u>
Transportation				
Personnel Services	900	1,025	611	414
Employee Benefits	212	212	139	73
Purchased Property Services	2,000	2,000	988	1,012
Total Transportation	<u>3,112</u>	<u>3,237</u>	<u>1,738</u>	<u>1,499</u>
Other				
Other Purchased Services	21,652	21,652	901	20,751
Total Other	<u>21,652</u>	<u>21,652</u>	<u>901</u>	<u>20,751</u>
Total Support Services	<u>1,560,907</u>	<u>1,679,824</u>	<u>1,624,142</u>	<u>55,682</u>
Food Service				
Personnel Services	27,938	28,198	28,188	10
Employee Benefits	22,961	25,741	25,662	79
Other Purchased Services	0	30	28	2
Supplies	0	7,500	0	7,500
Total Food Service	<u>\$ 50,899</u>	<u>\$ 61,469</u>	<u>\$ 53,878</u>	<u>\$ 7,591</u>

## STATE OF NEW MEXICO

**JAL PUBLIC SCHOOLS**

## GENERAL FUND-OPERATIONAL-11000

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget-Favorable (Unfavorable)
Community Service				
Personnel Services	\$ 5,300	\$ 9,630	\$ 9,630	\$ 0
Employee Benefits	1,339	1,435	1,322	113
Total Community Service	6,639	11,065	10,952	113
Total Expenditures	4,077,239	4,190,239	4,064,710	125,529
Excess (Deficiency) of Revenues Over Expenditures	(246,406)	(359,406)	133,862	493,268
Cash Balance Beginning of Year	456,934	456,934	456,934	0
Cash Balance End of Year	\$ 210,528	\$ 97,528	\$ 590,796	\$ 493,268
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 133,862	
Net Change in Taxes Receivable			25,114	
Net Change in Payables			2,702	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 161,678	

The notes to the financial statements are an integral part of this statement.



## STATE OF NEW MEXICO

**JAL PUBLIC SCHOOLS**

GENERAL FUND-TEACHERAGE-12000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget-Favorable (Unfavorable)
Revenues				
Rents	\$ 0	\$ 0	\$ 2,500	\$ 2,500
Total Revenues	<u>0</u>	<u>0</u>	<u>2,500</u>	<u>2,500</u>
Expenditures				
Support Services				
Operation of Plant				
Purchased Property Services	0	0	0	0
Other Purchased Services	0	0	0	0
Supplies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Operation of Plant	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Support Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	2,500	2,500
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 2,500	
Net Change in Payables			(1,931)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 569</u>	

The notes to the financial statements are an integral part of this statement.

## STATE OF NEW MEXICO

**JAL PUBLIC SCHOOLS**

## GENERAL FUND-TRANSPORTATION-13000

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget-Favorable (Unfavorable)
Revenues				
State Grants	\$ 163,332	\$ 163,332	\$ 182,611	\$ 19,279
Total Revenues	<u>163,332</u>	<u>163,332</u>	<u>182,611</u>	<u>19,279</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	63,456	64,972	62,980	1,992
Employee Benefits	51,868	47,038	35,140	11,898
Professional & Tech Services	833	5,833	5,455	378
Other Purchased Services	11,691	23,460	23,014	446
Supplies	71,484	27,683	27,169	514
Other	0	0	5,654	(5,654)
Total Student Transportation	<u>199,332</u>	<u>168,986</u>	<u>159,412</u>	<u>9,574</u>
Total Support Services	<u>199,332</u>	<u>168,986</u>	<u>159,412</u>	<u>9,574</u>
Total Expenditures	<u>199,332</u>	<u>168,986</u>	<u>159,412</u>	<u>9,574</u>
Excess (Deficiency) of Revenues Over Expenditures	(36,000)	(5,654)	23,199	28,853
Cash Balance Beginning of Year	<u>14,068</u>	<u>14,068</u>	<u>14,068</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (21,932)</u>	<u>\$ 8,414</u>	<u>\$ 37,267</u>	<u>\$ 28,853</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 23,199	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 23,199</u>	

The notes to the financial statements are an integral part of this statement.

## STATE OF NEW MEXICO

**JAL PUBLIC SCHOOLS**

## GENERAL FUND-INSTRUCTIONAL MATERIAL-14000

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget-Favorable (Unfavorable)
Revenues				
State Grants	\$ 11,402	\$ 11,402	\$ 32,656	\$ 21,254
Total Revenues	<u>11,402</u>	<u>11,402</u>	<u>32,656</u>	<u>21,254</u>
Expenditures				
Instruction				
Supplies	11,402	32,656	7,178	25,478
Total Instruction	<u>11,402</u>	<u>32,656</u>	<u>7,178</u>	<u>25,478</u>
Total Expenditures	<u>11,402</u>	<u>32,656</u>	<u>7,178</u>	<u>25,478</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(21,254)	25,478	46,732
Cash Balance Beginning of Year	<u>13,144</u>	<u>13,144</u>	<u>13,144</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 13,144</u>	<u>\$ (8,110)</u>	<u>\$ 38,622</u>	<u>\$ 46,732</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 25,478	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 25,478</u>	

The notes to the financial statements are an integral part of this statement.

## STATE OF NEW MEXICO

**JAL PUBLIC SCHOOLS**

## SPECIAL REVENUE FUND-TITLE I-24101

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget-Favorable (Unfavorable)
Revenues				
Federal Grant	\$ 97,854	\$ 104,994	\$ 62,608	\$ (42,386)
Total Revenues	<u>97,854</u>	<u>104,994</u>	<u>62,608</u>	<u>(42,386)</u>
Expenditures				
Instruction				
Personnel Services	48,655	44,437	31,665	12,772
Employee Benefits	26,781	20,799	7,625	13,174
Supplies	<u>2,280</u>	<u>19,620</u>	<u>16,929</u>	<u>2,691</u>
Total Instruction	<u>77,716</u>	<u>84,856</u>	<u>56,219</u>	<u>28,637</u>
Total Expenditures	<u>77,716</u>	<u>84,856</u>	<u>56,219</u>	<u>28,637</u>
Excess (Deficiency) of Revenues Over Expenditures	20,138	20,138	6,389	(13,749)
Cash Balance Beginning of Year	<u>(20,138)</u>	<u>(20,138)</u>	<u>(20,138)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (13,749)</u>	<u>\$ (13,749)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 6,389	
Net Change in Due from Grantor			<u>(6,389)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

## STATE OF NEW MEXICO

**JAL PUBLIC SCHOOLS**

## SPECIAL REVENUE FUND-IDEA B ENTITLEMENT-24106

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

## For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget-Favorable (Unfavorable)
Revenues				
Federal Grant	\$ 151,840	\$ 193,123	\$ 122,498	\$ (70,625)
Total Revenues	<u>151,840</u>	<u>193,123</u>	<u>122,498</u>	<u>(70,625)</u>
Expenditures				
Instruction				
Personnel Services	33,114	34,034	33,984	50
Employee Benefits	22,831	22,171	22,067	104
Other Purchased Services	<u>876</u>	<u>616</u>	<u>0</u>	<u>616</u>
Total Instruction	<u>56,821</u>	<u>56,821</u>	<u>56,051</u>	<u>770</u>
Support Services				
Students				
Personnel Services	3,155	3,155	3,090	65
Employee Benefits	665	1,050	643	407
Other Purchased Services	<u>43,589</u>	<u>48,389</u>	<u>64,345</u>	<u>(15,956)</u>
Total Students	<u>47,409</u>	<u>52,594</u>	<u>68,078</u>	<u>(15,484)</u>
General Administration				
Other Purchased Services	<u>0</u>	<u>36,483</u>	<u>0</u>	<u>36,483</u>
Total General Administration	<u>0</u>	<u>36,483</u>	<u>0</u>	<u>36,483</u>
Central Services				
Personnel Services	5,127	3,780	3,463	317
Employee Benefits	<u>1,164</u>	<u>2,126</u>	<u>812</u>	<u>1,314</u>
Total Central Services	<u>6,291</u>	<u>5,906</u>	<u>4,275</u>	<u>1,631</u>
Total Support Services	<u>53,700</u>	<u>94,983</u>	<u>72,353</u>	<u>22,630</u>
Total Expenditures	<u>110,521</u>	<u>151,804</u>	<u>128,404</u>	<u>23,400</u>
Excess (Deficiency) of Revenues Over Expenditures	41,319	41,319	(5,906)	(47,225)
Cash Balance Beginning of Year	<u>(41,319)</u>	<u>(41,319)</u>	<u>(41,319)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (47,225)</u>	<u>\$ (47,225)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (5,906)	
Net Change in Due from Grantor			<u>5,906</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

## STATE OF NEW MEXICO

**JAL PUBLIC SCHOOLS**

## SPECIAL REVENUE FUND-NM READS TO LEAD-27114

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	with Final Budget-Favorable (Unfavorable)
Revenues				
State Grant	\$ 0	\$ 50,000	\$ 0	\$ (50,000)
Total Revenues	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>(50,000)</u>
Expenditures				
Instruction				
Professional & Tech Services	22,500	2,500	443	2,057
Supplies	<u>27,500</u>	<u>47,500</u>	<u>47,070</u>	<u>430</u>
Total Instruction	<u>50,000</u>	<u>50,000</u>	<u>47,513</u>	<u>2,487</u>
Total Expenditures	<u>0</u>	<u>50,000</u>	<u>47,513</u>	<u>2,487</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(47,513)	(47,513)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (47,513)</u>	<u>\$ (47,513)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (47,513)	
Net Change in Due From Grantor			<u>47,513</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**JAL PUBLIC SCHOOLS**  
Statement of Fiduciary Net Position - Agency Funds  
June 30, 2015

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	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 177,905
Total Assets	\$ <u>177,905</u>
Liabilities	
Deposits Held for Others	\$ 177,905
Total Liabilities	\$ <u>177,905</u>

The notes to the financial statements are an integral part of this statement.

**Summary of Significant Accounting Policies**

The financial statements of the Jal Public Schools (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 more significant of the District's accounting policies are described below.

**Financial Reporting Entity**

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

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

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

**Governmental Funds**

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

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District.



Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

***Fiduciary Fund Type***

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations. This account is accounted for using the economic resources measurement focus and the accrual basis of accounting.

**Major Funds**

The District reports the following major governmental funds:

**General Fund (11000)(12000)(13000)(14000).** The General Fund consist of four sub funds. The first is the operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The second is the Teacherage fund of the District and accounts for rental properties that are rented to teachers and administrators that work at the school. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

**Major Special Revenue Funds**

**Title I (24101).** To account for a program funded by a federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

**IDEA B Entitlement (24106).** To account for a program funded by a federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 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 fund was created by the authority of federal grant provisions.

**NM Reads to Lead (27114).** To account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

**Major Capital Projects Funds**

**Bond Building (31100).** The revenues are derived from a School Building Bond Issue. The expenditures are restricted to major capital improvements.

**Senate Bill Nine (31700).** The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

**Measurement Focus and Basis of Accounting**

***Government-Wide Financial Statements (GWFS)***

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

#### Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others., and 3) program specific capital grants and contributions.

#### ***Fund Financial Statements (FFS)***

##### Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

##### Revenues

Taxes. Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

##### Revenue Recognition for Grants

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school districts).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.

4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

Other receipts. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditures

*Salaries* are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Capital Projects and Debt Service Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

The District follows the following procedures in establishing data reflected in the financial statements:

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1st. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20th, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.

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6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Cash and Cash Equivalents

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.

The District is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the District may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

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Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Food Services Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

#### Long-Term Liabilities

Long-Term Liabilities include bonds, pension liabilities and compensated absences that are paid for over several years. Long-Term Liabilities are included in the government wide financial statements but not in the fund financial statements. Only the current portion due within 30 days is included in the fund financial statements.

#### Restricted Net Position

For the Government-Wide Statement of Net Position, net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

#### Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

#### Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

#### Deferred Inflow of Resources

The District reports unearned or unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

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Compensated Absences

Administrative Personnel will receive two weeks of vacation time per year. After five years of experience, the vacation time will increase to three weeks, and after ten years, four weeks a year will be given. Employees who have been working in other positions in the school system will be given credit for this experience. Vacation time not used will be credited to the next year up to a maximum of 50 days. Employees retiring from the district may be compensated for up to 240 hours of unused vacation time. This limit is set by the Education Retirement Board.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**A. Deposits and Investments**

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<b>Wells Fargo</b>		Balance			
	<u>Name of Account</u>	Per Bank	Reconciled	Type	
		6/30/15	Balance		
Operational		\$ 11,799,800	\$ 11,591,066	Checking	Non-Interest
Payroll Clearing Account		208,964	27,450	Checking	Non-Interest
Activity Account		178,790	177,905	Checking	Non-Interest
TOTAL Deposited		12,187,554	\$ 11,796,421		
Less: FDIC Coverage		(250,000)			
Uninsured Amount		11,937,554			
50% collateral requirement		5,968,777			
Pledged securities		7,197,251			
Over (Under) requirement		\$ 1,228,474			

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

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The following securities are pledged at **Wells Fargo**:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FMAC	31294MJJ1	\$ 6,137	9/1/2026	Mellon Bank, NY
FNMA	3138A2BQ1	152,062	12/1/2040	Mellon Bank, NY
FNMA	3138AFEG1	1,560,249	5/1/2041	Mellon Bank, NY
FNMA	3138M0YQ7	274,881	7/1/2042	Mellon Bank, NY
FNMA	3138W4Z61	10,578	3/1/2043	Mellon Bank, NY
FNMA	3138WQAY8	4,814,413	5/1/2043	Mellon Bank, NY
FNMA	3138X1HU3	331,092	7/1/2043	Mellon Bank, NY
FNMA	31410LDQ2	30,290	3/1/2041	Mellon Bank, NY
FNMA	31419CZD8	3,940	9/1/2040	Mellon Bank, NY
FNMA	31419FC38	13,609	9/1/2040	Mellon Bank, NY
		<u>\$ 7,197,251</u>		

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in	
District's name	7,197,251
Uninsured and uncollateralized	4,740,303
Total Deposits	<u>\$ 12,187,554</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2015 \$4,740,303 of the District's bank balance of \$12,187,554, was exposed to custodial credit risk.

**New Mexico State Treasurer**

<u>Name of Account</u>	<u>Balance Per Bank 6/30/15</u>	<u>Reconciled Balance</u>	<u>Type</u>
Jal LGIP Fund	\$ 1,410,361	\$ 1,410,361	Savings
TOTAL Deposited	<u>\$ 1,410,361</u>	<u>\$ 1,410,361</u>	

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, relates to how deposits and investments are reported in the annual financial statements of governmental entities. GASB Statement No. 40 disclosures inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. GASB Statement No. 40 requires governments to disclose deposit and investment risks related to credit risk (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk. The State Treasurer's Office provides the following information regarding the LGIP:

1. With respect to credit risk, the LGIP, a government investment pool, is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.
2. GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure. However, our portfolio is posted on the State Treasurer's website [www.stonm.org](http://www.stonm.org) and available for review by participants at any time.



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3. GASB Statement No. 40 defines interest rate risk as the risk that interest rate variations may adversely affect the fair value of an investment. According to GASB Statement No. 40, an acceptable method for reporting interest rate risk is weighted average maturity ("WAM"). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at [www.nmsto.org](http://www.nmsto.org). As of June 30, 2015, the LGIP WAM(R) is 54.6 days and WAM(F) is 77.7 days.

4. Finally, with respect to foreign currency risk, all investments in the LGIP are in U.S. dollar denominated assets. Therefore, the LGIP has no foreign currency risk.

**B. Receivables**

Following is a schedule of property taxes receivable as of June 30, 2015:

	General 11000	Title I 24101	IDEA B Entitlement 24106	NM Reads to Lead 27114
Property Taxes Receivable:				
Available	\$ 25,748	\$ 0	\$ 0	\$ 0
Due from Grantors				
State	0	0	0	47,513
Federal	0	13,749	47,225	0
Total Receivables	<u>\$ 25,748</u>	<u>\$ 13,749</u>	<u>\$ 47,225</u>	<u>\$ 47,513</u>
		SB9 31700	Other Governmental Funds	Total
Property Taxes Receivable:				
Available		\$ 103,068	\$ 0	\$ 128,816
Due from Grantors				
State		12,071	0	59,584
Federal		0	9,893	70,867
Total Receivables		<u>\$ 115,139</u>	<u>\$ 9,893</u>	<u>\$ 259,267</u>

**C. Interfund Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

Receivable Fund	Payable Funds			
	Title I 24101	IDEA B Entitlement 24106	NM Reads to Lead 27114	Other Governmental Funds
General Fund	\$ 13,749	\$ 47,225	\$ 47,513	\$ 9,893
Totals	<u>\$ 13,749</u>	<u>\$ 47,225</u>	<u>\$ 47,513</u>	<u>\$ 9,893</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the General Fund. All transactions will be repaid within one year.

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**D. Capital Assets**

Capital Assets Balances and Activity for the Year Ended June 30, 2015, is as follows:

	Balance 6/30/14	Increases	Decreases	Balance 6/30/15
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated				
Land	\$ 529,477	\$ 0	\$ 0	\$ 529,477
Total Capital Assets, not being Depreciated	<u>529,477</u>	<u>0</u>	<u>0</u>	<u>529,477</u>
Capital Assets, being Depreciated				
Buildings & Improvements	21,522,462	848,120	0	22,370,582
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>2,035,801</u>	<u>71,560</u>	<u>0</u>	<u>2,107,361</u>
Total Capital Assets, being Depreciated	<u>23,558,263</u>	<u>919,680</u>	<u>0</u>	<u>24,477,943</u>
Total Capital Assets	<u>24,087,740</u>	<u>919,680</u>	<u>0</u>	<u>25,007,420</u>
<b>Less Accumulated Depreciation</b>				
Buildings & Improvements	17,498,555	267,999	0	17,766,554
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,394,482</u>	<u>42,433</u>	<u>0</u>	<u>1,436,915</u>
Total Accumulated Depreciation	<u>18,893,037</u>	<u>310,432</u>	<u>0</u>	<u>19,203,469</u>
Capital Assets, net	<u>\$ 5,194,702</u>	<u>\$ 609,248</u>	<u>\$ 0</u>	<u>\$ 5,803,951</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 310,432
Total depreciation expenses	<u>\$ 310,432</u>

**E. Long-Term Debt and Other Liabilities**

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/14	Additions	Reductions	Balance 6/30/15	Amounts Due Within One Year
<b>Governmental Activities</b>					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 0	\$ 9,500,000	\$ 0	\$ 9,500,000	\$ 0
Total Bonds	<u>0</u>	<u>9,500,000</u>	<u>0</u>	<u>9,500,000</u>	<u>0</u>
<b>Other Liabilities</b>					
Compensated					
Absences	\$ 7,084	\$ 30,007	\$ 21,217	\$ 15,874	\$ 15,874
Total Other Liabilities	<u>\$ 7,084</u>	<u>\$ 30,007</u>	<u>\$ 21,217</u>	<u>\$ 15,874</u>	<u>\$ 15,874</u>

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Payments on the general obligation bonds are made by the Debt Service Funds. The compensated absences liability will ultimately be liquidated by several of the District's governmental funds, with most being paid by the General Fund.

**General Obligation Bonds.**

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Series	Date of Issue	Original Amount	Interest Rate	Balance
2015	4/1/15	9,500,000	3%	\$ 9,500,000
				\$ 9,500,000

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

	Principal	Interest	Total
2016	\$ 0	\$ 196,144	\$ 196,144
2017	1,400,000	240,000	1,640,000
2018	300,000	223,000	523,000
2019	200,000	218,000	418,000
2020	100,000	214,500	314,500
2021-2025	1,500,000	954,000	2,454,000
2026-2030	4,600,000	650,000	5,250,000
2031	1,400,000	21,000	1,421,000
Total	\$ 9,500,000	\$ 2,716,644	\$ 2,777,144

**F. Commitments**

The District issued a bond for \$9,500,000 for several large construction projects.

**G. Retirement Plan**

**Summary of Significant Accounting Policies**

**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.

**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](http://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 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.

The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$344,165 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the District reported a liability of \$5,404,459 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the District proportion was .09472 percent, which was an decrease of .00373 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$313,823. At the June 30, 2015, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ (80,509)
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	(491,296)
Changes in proportion and differences between the District's contributions and proportionate share of contributions		(173,793)
District's contributions subsequent to the measurement date	344,165	0
Total	\$ <u>344,165</u>	\$ <u>(745,598)</u>

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\$344,165 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (211,122)
2017	(211,122)
2018	(200,526)
2019	(122,828)
Total	\$ <u>(745,598)</u>

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 contribution rates included in the measurement are as follows:

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

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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%	75.00%
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%	75.00%
Global Bonds (Hedged)	1.38%	93.00%
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%

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 Districts 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 District's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The District's proportionate share of the net pension liability	\$ 7,353,392	\$ 5,404,459	\$ 3,776,619

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

#### **H. Retiree Health Care**

**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](http://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 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, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$49,526, \$52,217 and \$53,365 respectively, which equal the required contributions for each year.

**I. Reconciliation of Budgetary Basis to GAAP Basis Statements**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

**J. Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

**K. Joint Powers Agreements**

Jal Public School is part of a joint powers agreement with the Lea Regional Education Cooperation # 7 (REC). The REC administers the following programs listed below for the District. The financial statements for these funds have been prepared separately and are available at the REC.

The agreement is to remain in effect until the end of any fiscal year during which the District gives notice of intent to terminate.

The REC is responsible for their audit. The information is available at the Lea Regional Education Cooperation, 315 East Clinton, Hobbs, New Mexico 88240.

Jal Public School is a member of the Lea County Distance Education Consortium. Other members include all school districts in Lea County, Eastern New Mexico University and New Mexico Junior College. The purpose of the Consortium is to purchase and maintain a two-way interactive television network to provide educational services between each of the members. The District contributed \$15,875 this fiscal year.

This agreement shall continue as mutually agreeable by all parties.

The New Mexico Junior College is responsible for their audit. The information is available at the New Mexico Junior College, 5317 N Lovington Hwy, Hobbs, New Mexico 88240.

**L. Subsequent Events**

Subsequent events were evaluated through November 2, 2015 which is the date the financial statements were available to be issued.

**M. Budget Violations**

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

The following funds had budget violations as of June 30, 2015.

		<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<u>Major Fund</u>					
Bond Buildings-Capital Outlay	\$	0	\$ 0	\$ 15,026	\$ (15,026)
<u>Nonmajor Fund</u>					
Athletics-Instruction	\$	29,729	\$ 29,729	\$ 40,950	\$ (11,221)

**N. Restatement**

Net Position was restated \$(5,836,234) for the pension liability.

## 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](http://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  
Jal Public School District No. 19  
Jal, New Mexico

Ladies and Gentlemen:

We have acted as bond counsel to Jal Public School District No. 19 (the "District") in connection with the issuance of its \$18,000,000 General Obligation School Building Bonds, Series 2016 (the "Bonds"), dated \_\_\_\_\_, 2016, with interest payable on April 1, 2017, and semi-annually thereafter on each October 1 and April 1 until maturity, and being bonds in registered form maturing on April 1 in the years 2017 through 2033.

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 Jal Public School District No. 19, Lea County, New Mexico (the "District"), in connection with the issuance of the Jal Public School District No. 19, Lea 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 July 12, 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 headings "DEBT AND OTHER FINANCIAL OBLIGATIONS - Outstanding Debt," "TAX BASE – Analysis Assessed Valuation," "TAX RATES – School Tax Rates," "TAX COLLECTIONS – Tax Collection History," "THE DISTRICT – Student Enrollment," and "Sources of Revenue" in the Official Statement. The District will update and provide this information within nine months after the end of each fiscal year ending in or after 2015.

(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](http://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 July 12, 2016, delivered in connection with the original issue and sale of the Bonds.

(g) "Report Date" means March 31 of each year, beginning in 2017.

(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) 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. If Audited Financial Statements are not provided as a part of the Annual Financial Information, the District, or its designated agent, will provide unaudited operating results as part of the Annual Financial Information. Such unaudited operating results will be on a cash or budgetary basis as required by the Public Education Department of the State of New Mexico ("PED"). The District does not prepare or provide an unaudited statement of net assets. The District will then provide Audited Financial Statements when they become available.

(c) The District, or its designated agent, may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the District, which have been submitted to 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) bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;

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

(xiv) 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: August 18, 2016

BOARD OF EDUCATION OF JAL  
PUBLIC SCHOOL DISTRICT NO. 19

By \_\_\_\_\_  
President

[SEAL]

ATTEST:

\_\_\_\_\_  
Secretary

Y:\dox\client\86433\0002\GENERAL\W2706198.DOCX



## APPENDIX F

### OFFICIAL NOTICE OF SALE AND BID FORM

OFFICIAL NOTICE OF BOND SALE

\$18,000,000

JAL PUBLIC SCHOOL DISTRICT NO. 19  
COUNTY OF LEA, NEW MEXICO  
GENERAL OBLIGATION SCHOOL BUILDING BONDS  
SERIES 2016

PUBLIC NOTICE IS HEREBY GIVEN that the Board of Education of the Jal Public School District No. 19 (“Board”), governing body of the Jal Public School District No. 19 (“District”), Lea County, New Mexico, will, until the hour of 10:00 a.m., local time on July 12, 2016, receive bids at RBC Capital Markets, LLC, 6301 Uptown Blvd., N.E., Suite 110, Albuquerque, New Mexico 87110, 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 \$18,000,000 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 regular meeting at the Jal Public School District’s Administration Building, 200 E. Panther, Jal, New Mexico 88252, on July 12, 2016, at 5:00 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: \$18,000,000 of the Series 2016 Bonds represents a portion of the \$47,000,000 which was authorized at a regular election held within the District on February 3, 2015 (the “Election”) (the “School Building Bonds”).

The Bonds will be issued in the aggregate principal amount of \$18,000,000, will be dated the date of delivery, will be issued as fully registered bonds and will mature on October 1 of each year as follows:

<u>Years</u>	<u>Amounts</u>
<u>Maturing</u>	<u>Maturing</u>
2017	\$ 835,000
2018	985,000
2019	1,145,000
2020	1,005,000
2021	1,070,000
2022	1,220,000
2023	1,290,000
2024	1,400,000
2025	1,275,000
2026	1,350,000
2027	1,335,000
2028	1,020,000
2029	105,000
2030	795,000
2031	1,650,000
2032	1,520,000

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 April 1, 2017 and semiannually thereafter on October 1 and April 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 July 12, 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, the Jal Public School District No. 19," and delivered to RBC Capital Markets, LLC, 6301 Uptown Blvd., N.E., Suite 110, Albuquerque, New Mexico 87110, prior to 10:00 a.m., local time, on July 12, 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 October 1, 2025 are subject to redemption prior to their maturity on or after October 1, 2024, 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, BID LIMITATIONS, AND MAXIMUM PREMIUM LIMITATION:** 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 two percent (2%). Any premium bid cannot exceed two percent (2%) of the par amount of the Bonds. 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 and premium, if any, which may not exceed two percent (2%) of the par amount of the Bonds 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, (d) premium, if any, and (e) 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 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 the premium offered, if any, 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 plus any premium bid. 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 \$360,000, representing 2% of the par amount which may be sent by wire transfer to a bank account designated by the District, in the form of cash, 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 "Jal Public School District" except for any bid of the State of New Mexico, if one is received. The good faith deposit must accompany any bid or be submitted prior to official award of the Bonds by the Board. If the good faith deposit is by electronic wire transfer not later than 3:30 p.m., prevailing Mountain Time on July 12, 2016, the successful bidder must send an electronic wire transfer to such account as the District shall specify in immediately available funds. If the wire transfer is not received by 3:30 p.m. prevailing Mountain Time on July 12, 2016, the next best bidder may be awarded the Bonds. No interest on the good faith deposit will accrue to the successful bidder. The good faith deposit will be applied to the purchase price on the Bonds. 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 3:30 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 August 18, 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., N.E., Suite 110, Albuquerque, New Mexico 87110, Attn: Erik Harrigan. This Notice, the Official Bid Form and

the Preliminary Official Statement are available for viewing in electronic format at [fmhub.com](http://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 FINRA 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 up to an aggregate of 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 16th day of May, 2016.

BOARD OF EDUCATION OF JAL PUBLIC  
SCHOOL DISTRICT NO. 19

By \_\_\_\_\_  
President

[SEAL]

ATTEST:

By \_\_\_\_\_  
Secretary

OFFICIAL BID FORM  
(July 12, 2016)

Jal Public School District No. 19  
RBC Capital Markets, LLC  
6301 Uptown Blvd., NE, Suite 110  
Albuquerque, NM 87110

Attention: Secretary, Board of Education

Members of the Board:

Pursuant to your "Official Notice of Bond Sale," dated May 16, 2016, relating to the District's General Obligation School Building Bonds, Series 2016, ("Bonds") in the principal amount of \$18,000,000, 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 a premium of \$\_\_\_\_\_, if any, from the date of the Bonds to the date of delivery to us, provided the Bonds bear interest per annum as follows (October 1 for the Bonds):

<u>Maturing (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2017	\$ 835,000		
2018	985,000		
2019	1,145,000		
2020	1,005,000		
2021	1,070,000		
2022	1,220,000		
2023	1,290,000		
2024	1,400,000		
2025	1,275,000		
2026	1,350,000		
2027	1,335,000		
2028	1,020,000		
2029	105,000		
2030	795,000		
2031	1,650,000		
2032	1,520,000		

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 Jal Public School District No. 19, in the amount of \$360,000, 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 Jal Public School District No. 19,  
County of Lea, New Mexico, this \_\_\_\_ day of \_\_\_\_\_, 2016.

BOARD OF EDUCATION OF  
JAL PUBLIC SCHOOL DISTRICT NO. 19

\_\_\_\_\_  
President, Board of Education

\_\_\_\_\_  
Secretary, Board of Education