

NOTICE

RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3
\$9,500,000 - General Obligation School Building Bonds, Series 2016

Preliminary Official Statement, subject to completion,
Dated September 6, 2016

The Preliminary Official Statement, dated September 6, 2016 (the "Preliminary Official Statement") relating to the above-described bonds (the "Bonds") of the RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3 (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 September 6, 2016

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 6, 2016

\$9,500,000 RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3 General Obligation School Building Bonds, Series 2016

NEW ISSUE
Book-Entry Only

Bank-Qualified
Moody's rating: Underlying/___ 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, 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 February 1 and August 1, commencing February 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 Ruidoso Municipal School District No. 3, 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 October 19, 2016
DATED DATE	Date of delivery
DUE DATE	August 1, as shown on below:

General Obligation School Bonds, Series 2016									
Year	Principal	Interest Rate	Yield	Cusip # 781338	Year	Principal	Interest Rate	Yield	Cusip # 781338
2017	\$535,000				2025	\$400,000			
2018	25,000				2026	1,300,000			
2019	25,000				2027	1,300,000			
2020	25,000				2028	1,300,000			
2021	25,000				2029	1,300,000			
2022	50,000				2030	1,300,000			
2023	100,000				2031	1,415,000			
2024	400,000								

George K. Baum & Company

ISSUER

RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3
Lincoln County, New Mexico
200 Horton Circle
Ruidoso, New Mexico 88345
(575) 257-4051

BOARD OF EDUCATION

President: Greg Cory
Vice-President: Gina Klinekole
Secretary: Shane Holder
Member: Marc Beatty
Member: Rafael "Rifle" Salas

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(505) 872-5999

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Director of Finance: Clint Taylor

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UNDERWRITER

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(505) 872-2320

A Few Words About Official Statements

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

MARKET STABILIZATION

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

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

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

Bond Counsel, Modrall, Sperling, Roehl, Harris & 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

RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3
200 Horton Circle
Ruidoso, New Mexico 88345
(575) 257-4051
Attention: Dr. George Bickert

Financial Advisor

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

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\$9,500,000

Ruidoso Municipal School District No. 3

General Obligation School Building Bonds, Series 2016

INTRODUCTION

This Official Statement is furnished to prospective purchasers of Ruidoso Municipal School District No. 3, New Mexico, General Obligation School Building Bonds, Series 2016 (the "Bonds" or "Series 2016 Bonds"), issued in the aggregate principal amount of \$9,500,000 by Ruidoso Municipal School District No. 3 (the "District"). The offering of the Bonds is made only by way of this Preliminary Official Statement, 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 September 13, 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 Village of Ruidoso and part of the unincorporated areas of Lincoln 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

2016 Preliminary Assessed Valuation	\$675,783,723
2016 Estimated Actual Valuation ⁽¹⁾	\$2,120,006,445
District General Obligation Debt Outstanding (Including the Bonds)	34,670,000
District Net General Obligation Debt	\$34,390,705
District Net Debt as a Percentage of Assessed Valuation	5.09%
Estimated Actual Valuation	1.62%
Estimated Direct & Overlapping G/O Debt	\$42,512,992
Direct & Overlapping Debt as a Percentage of Assessed Valuation	6.29%
Estimated Actual Valuation	2.01%
Estimated Population	13,600
District Net Debt Per Capita	\$2,528.73
Direct & Overlapping Debt Per Capita	\$3,125.96

(1) Actual valuation is computed by adding 2015 exemptions to the 2016 initial 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 15th 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, 2025, are subject to prior redemption at the District's option in one or more units of \$5,000 on and after August 1, 2024 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 of 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 Aa1.

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 preliminary assessed valuation of taxable property within the District is \$675,783,723 for the tax year 2016, 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 \$40,547,023.

After the Bonds are issued, the ratio of total outstanding general obligation (G/O) debt of the District to the 2016 preliminary assessed valuation will be no greater than 5.09% as summarized below:

2016 Preliminary Assessed Valuation	\$675,783,723
2016 Estimated Actual Valuation ⁽¹⁾	\$2,120,006,445
Bonded Debt	
Current Total Outstanding (Including the Bonds)	\$34,670,000 ⁽²⁾
Less Debt Service Fund Balance ⁽⁴⁾	<u>279,295</u>
NET DEBT	\$34,390,705
Ratio of Estimated Net Debt to 2016 Assessed Valuation:	5.09%
Ratio of Estimated Net Debt to 2016 Estimated Actual Valuation:	1.62%
Per Capita Net Bonded Debt:	\$2,528.73
Est. Population:	13,600

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

(2) The net cash balance as of June 30, 2015 was \$355,528.72. The amount properly attributable to principal reduction is 78.56%.

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
2008	\$3,000,000	01-Aug-17	\$200,000
2011	9,000,000	01-Aug-25	8,000,000
2013	5,000,000	01-Aug-25	3,175,000
2014	9,980,000	01-Aug-22	8,205,000
2015	6,325,000	01-Aug-22	5,590,000
2016	9,500,000	01-Aug-31	9,500,000
	\$42,805,000		\$34,670,000

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.

Current Requirements				Series 2016 Bonds ⁽¹⁾			Total Requirements		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	\$2,550,000	\$544,388	\$3,094,388	\$535,000	\$297,667	\$832,667	\$3,085,000	\$842,054	\$3,927,054
2018	2,725,000	499,138	3,224,138	25,000	358,600	383,600	2,750,000	857,738	3,607,738
2019	3,000,000	454,138	3,454,138	25,000	357,600	382,600	3,025,000	811,738	3,836,738
2020	2,950,000	396,638	3,346,638	25,000	356,600	381,600	2,975,000	753,238	3,728,238
2021	3,125,000	336,950	3,461,950	25,000	355,600	380,600	3,150,000	692,550	3,842,550
2022	3,120,000	267,325	3,387,325	50,000	354,600	404,600	3,170,000	621,925	3,791,925
2023	2,600,000	193,375	2,793,375	100,000	352,600	452,600	2,700,000	545,975	3,245,975
2024	2,600,000	130,125	2,730,125	400,000	348,600	748,600	3,000,000	478,725	3,478,725
2025	2,500,000	60,625	2,560,625	400,000	332,600	732,600	2,900,000	393,225	3,293,225
2026				1,300,000	316,600	1,616,600	1,300,000	316,600	1,616,600
2027				1,300,000	264,600	1,564,600	1,300,000	264,600	1,564,600
2028				1,300,000	212,600	1,512,600	1,300,000	212,600	1,512,600
2029				1,300,000	160,600	1,460,600	1,300,000	160,600	1,460,600
2030				1,300,000	108,600	1,408,600	1,300,000	108,600	1,408,600
2031				1,415,000	56,600	1,471,600	1,415,000	56,600	1,471,600
	\$25,170,000	\$2,882,700	\$28,052,700	\$9,500,000	\$4,234,067	\$13,734,067	\$34,670,000	\$7,116,767	\$41,786,767

(1) Preliminary, 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.

	2016 Prelim. Assessed Value ⁽³⁾	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico ⁽¹⁾	\$58,380,564,832	\$389,270,000	1.16%	\$4,505,992
Lincoln County	1,235,532,025	-	54.70%	-
Village of Ruidoso	514,364,468	2,280,000	100.00%	2,280,000
Village of Ruidoso Downs	161,419,255	1,057,000	100.00%	1,057,000
Ruidoso Municipal Schools	675,783,723	34,670,000 ⁽²⁾	100.00%	34,670,000
Total Direct & Overlapping				\$42,512,992

(1) Reflects 2015 Assessed Valuation

(2) Preliminary, subject to change.

(3) Excludes protested property and is subject to change. Source: Lincoln County Assessor.

Ratio of Estimated Direct & Overlapping Debt to 2016 Assessed Valuation:	6.29%
Ratio of Direct & Overlapping Debt to 2016 Estimated Actual Valuation:	2.01%
Per Capita Direct & Overlapping Debt:	\$3,125.96
Estimated Population:	13,600

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:

	2011	2012	2013	2014	2015	2016*
Assessments						
Value of Land	\$138,458,921	\$145,767,766	\$150,260,830	\$152,531,248	\$154,766,428	
Improvements	442,776,258	462,538,707	477,966,061	494,470,165	508,030,498	
Personal Property	8,737,552	9,279,901	9,075,330	8,144,047	7,976,605	
Mobile Homes	11,701,508	10,813,760	10,868,275	11,022,087	11,059,697	
Livestock	159,065	157,146	177,426	197,696	234,667	
Assessor's Total Value	\$601,833,304	\$628,557,280	\$648,347,922	\$666,365,243	\$682,067,895	-
Less Exemptions	\$21,747,654	\$22,723,749	\$25,961,344	\$26,448,201	\$30,885,092	
Assessors Net Valuation	580,085,650	605,833,531	622,386,578	639,917,042	651,176,664	662,728,259
Centrally Assessed	14,406,441	15,240,909	14,608,914	14,129,390	14,135,529	13,055,464
Total Assessed Valuation	\$594,492,091	\$621,074,440	\$636,995,492	\$654,046,432	\$665,312,193	\$675,783,723
Residential	\$435,033,692	\$457,199,118	\$448,920,992	\$456,019,779	\$469,947,609	\$482,276,488
Non-Residential	159,458,399	163,875,322	188,074,500	198,026,653	195,364,584	193,507,235
	\$594,492,091	\$621,074,440	\$636,995,492	\$654,046,432	\$665,312,193	\$675,783,723

*Preliminary. Excludes protested property.

Source: Lincoln County Assessor.

History of Assessed Valuation

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

History of Assesed Valuation			
	Ruidoso MSD	Lincoln County	% of County
2016*	\$675,783,723	\$1,235,532,025	54.70%
2015	665,312,193	1,181,047,142	56.33%
2014	654,046,432	1,168,342,311	55.98%
2013	636,995,492	1,134,606,731	56.14%
2012	621,074,440	1,108,047,567	56.05%
2011	594,492,091	1,062,083,260	55.97%
2010	587,837,057	1,041,959,869	56.42%
2009	575,394,786	1,016,492,614	56.61%
2008	503,925,399	889,684,887	56.64%
2007	471,542,639	825,288,140	57.14%

*Preliminary

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 \$15,953,325 which represents 2.40% of the 2015 assessed valuation.

Taxpayer	Business	2015 Assessed Valuation	% of District A.V.
PNM Electric	Utility	\$4,365,928	0.66%
Zia Natural Gas Co.	Utility	2,659,569	0.40%
Valor Telecom	Telephone Utility	2,150,771	0.32%
Baja Broadband	Utility	1,642,603	0.25%
Pinecliff Village	Real Estate	1,072,326	0.16%
Jayshree	Telephone	880,378	0.13%
Camelot Place	Real Estate	818,349	0.12%
Crownpoint Condos	Real Estate	798,397	0.12%
Cree Meadows	Country Club	785,093	0.12%
K3G, LLC	Real Estate	779,911	0.12%
Total		\$15,953,325	2.40%

Source: Lincoln 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					
	2015	2014	2013	2012	2011
State of New Mexico	0.000	0.000	0.000	0.000	0.000
Lincoln County	5.169	5.169	5.164	4.860	4.915
Village of Ruidoso	5.169	5.165	5.142	4.842	4.885
Ruidoso Schools	0.311	0.311	0.310	0.295	0.297
Total	10.649	10.645	10.616	9.997	10.097
Over 20 Mill Limit - Interest, Principal, Judgement, etc.					
State of New Mexico	1.360	1.360	1.360	1.360	1.362
Lincoln County	2.750	2.750	2.750	2.750	2.750
Village of Ruidoso	1.500	1.500	0.000	0.000	0.000
Other	4.409	4.408	4.403	4.250	4.279
Ruidoso Schools	7.945	7.952	7.756	7.818	7.830
Total	17.964	17.970	16.269	16.178	16.221
Total Levy					
State of New Mexico	1.360	1.360	1.360	1.360	1.362
Lincoln County	7.919	7.919	7.914	7.610	7.665
Village of Ruidoso	6.669	6.665	5.142	4.842	4.885
Other	4.409	4.408	4.403	4.250	4.279
Ruidoso Schools	8.256	8.263	8.066	8.113	8.127
Total Residential - Ruidoso	28.613	28.615	26.885	26.175	26.318
Total Non-Residential - Ruidoso	30.914	30.246	28.977	31.064	30.837
Total Residential in Unincorporated County	21.944	21.950	21.743	21.333	21.433
Total Non-Residential in Unincorporated County	24.932	24.405	24.526	25.787	25.656
Total Residential - Ruidoso Downs	29.244	29.099	28.731	28.308	28.093
Total Non-Residential - Ruidoso Downs	34.833	34.125	34.034	35.324	34.949

Source: State of 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 2019.

Tax Year	Operational		Two Mill Levy		G/O Bonds	Ed Tech Notes	Total Debt Service	Total	
	Resid.	Non-Resid.	Resid.	Non-Resid.				Resid.	Non-Resid.
2011	0.297	0.471	1.972	2.000	5.858	-	5.858	8.127	8.329
2012	0.295	0.481	1.960	2.000	5.858	-	5.858	8.113	8.339
2013	0.310	0.430	2.000	2.000	5.756	-	5.756	8.066	8.186
2014	0.311	0.425	2.000	1.977	5.951	-	5.951	8.262	8.353
2015	0.311	0.442	2.000	2.000	5.945	-	5.945	8.256	8.387

Source: New Mexico Department of Finance & Administration.

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.

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:

Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Current Tax Collections ⁽¹⁾	Current Collections as a % of Net Levied	Current/Delinquent Tax Collections ⁽²⁾	Current/Delinquent Collections as a % of Net Levied
2015	15/16	\$29,312,971	\$27,927,862	95.27%	\$27,927,862	95.27%
2014	14/15	28,333,405	27,022,070	95.37%	27,808,469	98.15%
2013	13/14	26,886,767	25,605,066	95.23%	26,676,200	99.22%
2012	12/13	25,696,883	24,521,752	95.43%	25,653,156	99.83%
2011	11/12	24,712,819	23,518,171	95.17%	24,683,217	99.88%
2010	10/11	24,013,055	22,514,729	93.76%	23,994,777	99.92%

(1) Current collections through June 30 of each year

(2) As of June 30, 2016.

Source: Lincoln 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.

The District employs 228 permanent employees of which 11 are administrators, 116 are teachers and other professional instructional personnel, 33 are instructional assistants, and 68 are support and administrative staff.

School District Powers

Pursuant to Chapter 27, Section 22-2-1, NMSA 1978, 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, release 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:

Greg Cory, President
term expires March 1, 2017

Marc Beatty, Member;
term expires March 1, 2017

Gina Klinekole, Vice President;
term expires March 1, 2019

Rafael "Rifle" Salas, Member;
Appointed in June 2015 to fill
the unexpired term of Kevin Flusche.
term expires March 1, 2017

Shane Holder, Secretary,
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:

Dr. George Bickert, Superintendent of Schools

Clint Taylor, Director of Finance

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:

School Year	Enrollment
2011-12	2,137
2012-13	2,098
2013-14	2,062
2014-15	2,042
2015-16	1,962

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:

Year	Program	
	Unit Factor	Amount
2011-2012	3,585.97	14,312,715
2012-2013	3,668.18	13,912,118
2013-2014	3,817.55	13,921,436
2014-2015	4,005.75	14,641,102
2015-2016	4,027.75	14,061,810

Source: New Mexico Public Education Department.

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.

BALANCE SHEET - GENERAL FUND ⁽¹⁾					
	<u>06/30/11</u>	<u>06/30/12</u>	<u>06/30/13</u>	<u>06/30/14</u>	<u>06/30/15</u>
ASSETS:					
Cash & Cash equivalents	\$ 2,160,543	\$ 1,890,369	\$ 1,516,887	\$ 1,947,531	\$ 3,160,406
Property Taxes	7,698	9,425	6,883		
Due from other agencies		9,701			
Due from other funds	446,290	361,234	623,614	392,163	590,241
Other				<u>6,568</u>	<u>7,247</u>
Total Assets	\$ 2,614,531	\$ 2,270,729	\$ 2,147,384	\$ 2,346,262	\$ 3,757,894
LIABILITIES AND EQUITY:					
Accounts payable	83,393	47,392	29,381	29,385	
Accrued payroll	483,288	835,913	755,270	264,556	
Due from other funds					1,200
Deferred revenue	<u>5,100</u>	<u>6,438</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	\$ 571,781	\$ 889,743	\$ 784,651	\$ 293,941	\$ 1,200
<i>Deferred inflows of resources</i>					
Deferred Revenue	\$ -	\$ -	\$ 6,883	\$ 6,568	\$ 7,247
Fund balances:					
Restricted				15,249	51,619
Unassigned	<u>2,042,750</u>	<u>1,380,986</u>	<u>1,355,850</u>	<u>2,030,504</u>	<u>3,697,828</u>
Total Fund balances	\$ 2,042,750	\$ 1,380,986	\$ 1,355,850	\$ 2,045,753	\$ 3,749,447
Total Liabilities and fund balances	<u>\$ 2,614,531</u>	<u>\$ 2,270,729</u>	<u>\$ 2,147,384</u>	<u>\$ 2,346,262</u>	<u>\$ 3,757,894</u>

(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.

A portion of the independent audit report for fiscal 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.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND ⁽¹⁾					
<i>Year Ending June 30</i>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Property Taxes	\$190,707	\$209,297	\$210,217	\$219,692	\$223,836
Fees and Charges	87,457	95,720	68,710	42,063	46,368
State Sources	15,774,241	15,173,103	14,955,963	14,861,845	15,763,471
Federal Sources	514,191	405,349	409,928	623,456	556,495
Investment Earnings	1,454	4,713	4,325	3,045	3,642
Miscellaneous	<u>49,265</u>	<u>207,856</u>	<u>315,603</u>	<u>126,489</u>	<u>86,958</u>
Total Revenues	16,617,315	16,096,038	15,964,746	15,876,590	16,680,770
Expenditures:					
Instruction	9,436,986	9,490,418	9,370,241	8,783,496	8,272,718
Support Services - Students	3,332,491	1,770,763	1,478,819	1,359,314	1,233,171
Support Services - Instruction	-	439,804	330,694	309,858	444,022
Support Services - General Administration	40,729	537,267	401,819	381,140	397,401
Support Services - School Administration	-	877,213	971,324	1,027,697	1,091,311
Central Services	542,444	488,047	498,112	526,152	548,615
Operation & Maintenance of Plant	2,199,572	2,256,798	1,987,776	2,020,478	2,169,624
Other Support Services	-	-	75,000	-	-
Community Services	24,345	19,850	228	-	-
Pupil Transportation	889,800	853,704	875,869	778,552	820,214
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	16,466,367	16,733,864	15,989,882	15,186,687	14,977,076
Excess revenues over expenditures	150,948	(637,826)	(25,136)	689,903	1,703,694
Fund Balance Beginning of Year	1,891,802	2,042,750	1,380,986	1,355,850	\$2,045,753
Transfers/Refunds/Adjustments	<u>-</u>	<u>(23,938)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	\$2,042,750	\$1,380,986	\$1,355,850	\$2,045,753	\$3,749,447

(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. A portion of the independent audit report for the year ended June 30, 2015 is attached as Appendix B.

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.

Fiscal Year Ending June 30	Employer Contributions	Employee Contributions	Average Asset Balance
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.

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 contribution 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 "___ Underlying/___ 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.

UNDERWRITING

George K. Baum & Company has agreed, subject to certain conditions, to purchase the Bonds from the District at a price equal to the initial offering prices shown on the inside cover page of this Official Statement, at an underwriting discount. The Underwriter's obligation to purchase the Bonds is subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any of the Bonds are purchased. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Underwriter.

The Underwriter has reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

George K. Baum & Company has provided the following information for inclusion in this Official Statement: The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Certain matters will be passed upon for the Underwriter by the Law Offices of Robert M. Strumor, LLC, Santa Fe, New Mexico.

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 (the "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.

The District has adopted written procedures regarding its obligations under the Undertaking and the Rule, and has engaged an independent firm, Accu-Disclose, LLC, to serve as its dissemination agent.

Annual Reports

During the past five years, the District was late in filing certain of its Audited Financial Statements on EMMA, and did not file related Failure to File notices. In one instance, for FYE 06/30/2011, the Audited Financial Statements for the Issuer were unavailable by the disclosure due date of December 31st. In addition, unaudited financial statements were unavailable and consequently not filed as required by Rule 15c2-12. The FY2011 Audited Financial Statements were subsequently filed on February 28, 2012. The Notice of Failure to provide annual financial information was filed by the District's Dissemination Agent, Accu-Disclose, LLC on 8/24/2016.

Event Notices

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

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

Limitations and Amendments

The District may amend its Undertaking from time to time without consent of the Bondholders, if the District receives and posts on 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 Ruidoso Municipal School District is located in south-central New Mexico, encompasses approximately 140 square miles and has an estimated population of 13,600. Principal municipalities in the District are the village of Ruidoso and the city of Ruidoso Downs. The Village of Ruidoso is approximately 200 miles southeast of Albuquerque, 72 miles west of Roswell and 132 miles northeast of El Paso, Texas.

The District is located in the Sacramento Mountains which provide year-round recreational opportunities. Fishing is permitted all twelve months in most places. Area hunting includes seasons for mule deer, wild turkey, bear and elk. Sierra Blanca, the highest peak in the Sacramento Mountains, reaches 12,003 feet above sea level and is the site of the Ski Apache Resort. Ski Apache, over 750 acres in size, which is managed by the Inn of the Mountain Gods, is located approximately 15 miles from Ruidoso. Operating between Thanksgiving and Easter, each year, the ski area features 55 trails; 20% of the trails are considered "expert", 60% "intermediate" and 20% "beginner". The area's fifteen feet of annual snowfall is augmented by extensive snow-making equipment. There are 11 lift lines and a new passenger gondola – the largest in the State. Additionally, the area hosts the "Apache Wind Rider Zip Tour", an 8,890 foot zip line which descends from an elevation of 11,489 feet (at the top of Ski Apache). The line, which takes an hour and a half to ride, reaches speeds of up to 65 miles per hour. Gondola and zip line operations are offered in the summertime, as well.

Area lodging offers more than 3,000 beds for visiting tourists. The Inn of the Mountain Gods, a resort owned by Mescalero Apache Tribe, is located on the shores of a 100 acre lake at Cienegita, about 15 minutes south of Ruidoso. The resort provides luxury accommodations, a 40,000 square foot Las Vegas style casino, hosts many conventions and offers many recreational facilities including boating, fishing and horseback riding, as well as golf and tennis. The Inn of the Mountain Gods underwent a \$200,000,000 renovation that was completed in March 2005.

The Spencer Theater for the Performing Arts hosts year-round concerts, traveling Broadway shows and other special events. The theater seats 514 in an intimate setting (the furthest seat from the stage is only 67 feet away). Opened in 1997, this \$22 million facility is located on 74 acres of land. In addition to indoor performances, outdoor performances are frequently held during our mild summer nights.

The horse racing season at Ruidoso Downs Race Track and Casino extends from May until September and is a major attraction to the area during the summer months. The All American Futurity is held each Labor Day and is one of the richest quarter horse races in the United States. Major races during the summer months include the All-American Derby, the Kansas Futurity and the Rainbow Futurity. The casino at the race track operates year-round.

The District has a seasonal population. Although the permanent population is estimated at 13,200, many non-residents own second homes in the area which are a part of the District's property tax base. As a result, the District's assessed valuation per student compares favorably with the larger, more industrialized school districts in New Mexico and tends to be stable over time.

In 1991, Eastern New Mexico University opened the Ruidoso Off-Campus Instruction Center which was granted branch college status in 2004. The Branch College provides programs for the first two years of college education and vocational and technical curricula. The Branch College also serves as a distant education site for other courses offered at ENMU's main campus in Portales, New Mexico.

Population

The following chart sets forth historical and current population data for the Village of Ruidoso, Lincoln County and the State.

US Census Year	Village of Ruidoso	Lincoln County	State of New Mexico
1970	2,216	7,560	1,017,055
1980	4,260	10,997	1,303,143
1990	4,600	12,219	1,515,069
2000	4,776	19,411	1,826,280
2010	8,029	20,497	2,065,826
2015*	7,739	19,420	2,085,572
2016 ⁽¹⁾	7,278	19,338	2,088,585

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

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

Age Distribution

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

Age Group	Lincoln County	New Mexico	United States
0 - 17	18.7%	24.2%	23.0%
18 - 24	6.8%	9.9%	9.8%
25 - 34	9.1%	13.3%	13.35%
35 - 44	8.6%	11.8%	12.63%
45 - 54	12.1%	12.2%	13.33%
55 and Older	44.7%	28.6%	27.9%

Source: The Nielsen Company, June 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	Lincoln County	New Mexico	United States
Under \$25,000	27.8%	28.4%	23.5%
\$25,000 - \$34,999	12.6%	11.6%	10.2%
\$35,000 - \$49,999	21.7%	14.1%	13.6%
\$50,000 - \$74,999	15.5%	17.1%	17.8%
\$75,000 and over	22.4%	28.8%	34.9%
2012 Est. Median Household Income	\$42,696	\$41,958	\$49,581
2013 Est. Median Household Income	\$42,216	\$43,273	\$49,297
2014 Est. Median Household Income	\$46,314	\$44,292	\$51,579
2015 Est. Median Household Income	\$46,324	\$45,633	\$53,706
2016 Est. Median Household Income	\$41,609	\$45,445	\$55,551

Source: The Nielsen Company, June 2016.

Employment

The following table presents information on employment within Lincoln 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 ⁽¹⁾	Lincoln County		State of New Mexico		United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2016 ⁽²⁾	8,849	6.00%	932,806	7.00%	5.10%
2015	8,613	5.80%	919,889	6.60%	5.30%
2014	8,738	6.10%	918,206	6.50%	6.20%
2013	8,817	6.50%	922,960	6.90%	7.40%
2012	8,946	6.50%	928,050	7.10%	8.10%
2011	9,085	6.80%	929,862	7.60%	8.90%
2010	9,380	7.50%	936,088	8.10%	9.60%
2009	10,885	5.80%	940,352	7.50%	9.30%
2008	11,049	3.50%	944,548	4.50%	5.80%
2007	10,883	3.10%	934,027	3.80%	4.60%

(1) Numbers are annual averages.

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

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

Major Employers

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

Major Employers - Lincoln County
Mescalero Apache Tribe
Walmart
Ruidoso Municipal Schools
Village of Ruidoso
Lincoln County Medical Center
ENMU - Ruidoso
Ruidoso Downs Race Track
Lincoln County
Village of Ruidoso Downs
State National Bank

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 \(NAICS\)](#).

	2011	2012	2013	2014	2015 ⁽¹⁾
Grand Total	6,533	6,420	6,408	6,464	6,229
Total Private	1,193	1,248	1,232	1,303	1,290
Accommodation and Food Services	156	177	164	162	143
Administrative and Waste Services	77	62	69	68	76
Agriculture, Forestry, Fishing & Hunting	532	529	528	565	408
Arts, Entertainment, and Recreation	354	287	301	333	320
Construction	138	20	20	19	22
Educational Services	177	162	163	153	150
Finance and Insurance	605	628	610	609	634
Health Care and Social Assistance	89	78	81	78	78
Information	*	*	*	*	*
Management of Companies and Enterprises	72	65	64	58	48
Manufacturing	*	*	*	*	*
Mining	180	169	183	196	201
Other Services, Ex. Public Admin	236	228	231	226	150
Professional and Technical Services	146	166	159	151	138
Real Estate and Rental and Leasing	1,153	1,157	1,197	1,199	1,202
Retail Trade	5,322	5,202	5,193	5,315	5,041
Transportation and Warehousing	80	85	57	50	56
Utilities	71	70	71	78	76
Wholesale Trade	39	49	44	46	33
Total Government	1,201	1,207	1,222	1,179	1,188

(1) Data as of Fourth Quarter of 2015

* Withheld to avoid disclosing * 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
RUIDOSO MUNICIPAL SCHOOLS**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2015**

Woodard, Cowen & Co.

Certified Public Accountants

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS
JUNE 30, 2015

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STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS
JUNE 30, 2015

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STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS
JUNE 30, 2015

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STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

OFFICIAL ROSTER

June 30, 2015

BOARD OF EDUCATION

Greg Cory	President
Gina Klinekole	Vice President
Shane Holder	Secretary
Rifle Salas	Member
Marc Beatty	Member

SCHOOL OFFICIALS

Dr. George Bickert	Superintendent
Caron Snow	Director of Finance

Woodard, Corwen & Co.

Certified Public Accountants

Independent Auditor's Report

Mr. Timothy Keller
New Mexico State Auditor
School Board
Ruidoso Municipal Schools

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 fund and major special revenue funds of Ruidoso Municipal Schools (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's non-major governmental funds, fiduciary funds, and the budgetary comparisons for all non-major 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Portales: PO Box 445, 118 E. 2nd Street Portales NM, 88130 Phone: 575-356-8564 Fax: 575-356-2453

Clovis: PO Box 1874, 116 E. Grand Avenue Clovis NM, 88101 Phone: 575-762-3811 Fax: 575-762-3866

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, 2014, and the respective changes in financial position 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, 2014, and the respective changes in financial position and the respective budgetary comparisons for the major capital projects fund, the debt service fund, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB 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. Our opinion on the basic financial statements is not affected by this missing information.

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 of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, Schedule of Changes in Assets and Liabilities – Agency Fund, and the additional schedules listed as “required supplemental information” in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Vendor Schedule on pages 90 & 91 of this report, 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 of Expenditures of Federal Awards, the Schedule of Changes in Assets and Liabilities – Agency Fund, and the additional schedules listed as “required supplemental information” are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information schedule on pages 90 & 91 of this report has not been subjected to the auditing procedures applied in the audit of the basic financials 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 16, 2015 on our consideration of the Agency'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.

Woodard, Lewen & Co.

Portales, New Mexico
November 16, 2015

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities Primary Government
<u>ASSETS</u>	
Current:	
Cash	\$ 11,936,155
Due from other governments	590,241
Property Taxes Receivable	159,772
Inventory	2,631
Non-current:	
Capital assets, Net	56,326,661
	<hr/>
Total assets	<u>\$ 69,015,460</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pensions	1,345,438
 <u>LIABILITIES</u>	
Current:	
Accounts Payable	\$ 1,200
Accrued Payroll	-
Accrued Interest Payable	359,401
Compensated Absences	65,977
Debt due within one year	3,035,000
Non-current:	
Bond premium (net of amortization of \$60,431)	386,497
Net Pension Liability	19,782,901
Debt due in more than one year	28,030,000
	<hr/>
Total liabilities	<u>51,660,976</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pensions	3,130,166
Unearned Revenue	18,062
	<hr/>
Total deferred inflows of resources	<u>3,148,228</u>
 <u>NET POSITION</u>	
Net Investment in Capital Assets	25,261,661
Restricted for:	
Debt Service	3,680,405
Bond Building	2,023,811
Senate Bill Nine	2,664,740
Athletics	50,043
Cafeteria	202,334
Instructional Materials	51,618
Unrestricted	(18,382,918)
	<hr/>
Total net position	<u>\$ 15,551,694</u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue & Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental Activities:					
Instruction	\$ 9,063,505	\$ 59,191	\$ 1,084,313	\$ -	\$ (7,920,001)
Support Services					
Support Services-Students	2,072,566	-	715,476	-	(1,357,090)
Support Services-Instruction	467,541	-	24,874	-	(442,667)
Support Services-General Administration	541,263	-	67,305	-	(473,958)
Support Services-School Administration	1,109,420	-	46,075	-	(1,063,345)
Central Services	535,580	-	-	-	(535,580)
Operation & Maintenance of Plant	3,348,524	-	1,682	-	(3,346,842)
Student Transportation	860,330	-	860,978	-	648
Community Services	-	-	-	-	-
Food Services-Operations	1,004,057	106,101	895,154	-	(2,802)
Community Services-Operations	-	-	-	-	-
Other Support Services	-	-	-	-	-
Bond Interest Paid	799,562	-	-	-	(799,562)
Bond Issuance Cost	-	-	-	-	-
Depreciation-Unallocated	2,079,837	-	-	-	(2,079,837)
Total governmental activities	<u>\$ 21,882,185</u>	<u>\$ 165,292</u>	<u>\$ 3,695,857</u>	<u>\$ -</u>	<u>\$ (18,021,036)</u>
General Revenues:					
Property Taxes:					
Levied for General Purposes					224,515
Levied for Debt Service					3,857,834
Levied for Capital Projects					1,294,410
State Equalization Guarantee					14,798,695
Federal Sources					505,025
State Operating Grants					155,471
Indirect Costs					51,470
Interest Earnings					10,255
Rent					75,000
Fees					46,368
State Capital Outlay Grants					45,667
Miscellaneous					11,958
			Total general revenues		<u>21,076,668</u>
			Change in net position		3,055,632
			Net position - beginning		<u>34,403,082</u>
			Restatement		<u>(21,907,020)</u>
			Restated Balance		12,496,062
			Net position - ending		<u>\$ 15,551,694</u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

BALANCE SHEET-- GOVERNMENTAL FUNDS

June 30, 2015

	GENERAL	FOOD SERVICES	TITLE I	IDEA B ENTITLEMENT
ASSETS				
Cash on Deposit	\$ 3,160,406	\$ 202,334	\$ -	\$ -
Due from Other Funds	590,241	-	-	-
Due from Other Agencies	-	-	155,101	185,082
Property Tax Receivable	7,247	-	-	-
Inventory	-	2,631	-	-
TOTAL ASSETS	\$ 3,757,894	\$ 204,965	\$ 155,101	\$ 185,082
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-	-
Inter Agency Payable	1,200	-	-	-
Due to Other Funds	-	-	155,101	185,082
TOTAL LIABILITIES	1,200	-	155,101	185,082
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	7,247	-	-	-
Unearned Revenue	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	7,247	-	-	-
FUND BALANCE				
Nonspendable	-	2,631	-	-
Restricted:				
Tranportation	1	-	-	-
Instructional Materials	51,618	-	-	-
Capital projects Funds	-	-	-	-
Debt Service	-	-	-	-
Cafeteria	-	202,334	-	-
Athletics	-	-	-	-
Special Revenue Funds	-	-	-	-
Unassigned	3,697,828	-	-	-
TOTAL FUND BALANCE	3,749,447	204,965	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,757,894	\$ 204,965	\$ 155,101	\$ 185,082

The accompanying footnotes are an integral part of these financial statements.

TEACHER PRINCIPAL TRAINING	SENATE BILL NINE	BOND BUILDING	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ -	\$ 2,664,740	\$ 2,023,811	\$ 3,679,574	\$ 205,290	\$ 11,936,155
-	-	-	-	-	590,241
123,193	-	-	-	126,865	590,241
-	39,113	-	112,332	1,080	159,772
-	-	-	-	-	2,631
<u>\$ 123,193</u>	<u>\$ 2,703,853</u>	<u>\$ 2,023,811</u>	<u>\$ 3,791,906</u>	<u>\$ 333,235</u>	<u>\$ 13,279,040</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
123,193	-	-	-	126,865	590,241
<u>123,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,865</u>	<u>591,441</u>
-	39,113	-	112,332	1,080	159,772
-	-	-	-	18,062	18,062
<u>-</u>	<u>39,113</u>	<u>-</u>	<u>112,332</u>	<u>19,142</u>	<u>177,834</u>
-	-	-	-	-	2,631
-	-	-	-	-	1
-	-	-	-	-	51,618
-	2,664,740	2,023,811	-	-	4,688,551
-	-	-	3,679,574	831	3,680,405
-	-	-	-	-	202,334
-	-	-	-	50,043	50,043
-	-	-	-	136,354	136,354
-	-	-	-	-	3,697,828
<u>-</u>	<u>2,664,740</u>	<u>2,023,811</u>	<u>3,679,574</u>	<u>187,228</u>	<u>12,509,765</u>
<u>\$ 123,193</u>	<u>\$ 2,703,853</u>	<u>\$ 2,023,811</u>	<u>\$ 3,791,906</u>	<u>\$ 333,235</u>	<u>\$ 13,279,040</u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

RECONCILIATION OF THE BALANCE SHEET
ALL GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

June 30, 2015

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

Fund balances - total governmental funds	\$ 12,509,765
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	56,326,661
Compensated absences	(65,977)
Property taxes receivable not available for current year expenditures and therefore are deferred in the funds	159,772
Net Pension Liability not reported in the funds	(19,782,901)
Deferred inflows of resources related to pensions not reported in the funds	1,345,438
Deferred outflows of resources related to pension not reported in the funds	(3,130,166)
Accrued Interest Payable not reported in funds	(359,401)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(31,065,000)
Bond Premium not included in funds	<u>(386,497)</u>
Net position of governmental activities	<u><u>\$ 15,551,694</u></u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE-- GOVERNMENTAL FUNDS

Year Ended June 30, 2015

	General	FOOD SERVICES	TITLE I	IDEA B ENTITLEMENT
REVENUE				
Federal Programs	\$ 394,178	\$ 889,853	\$ 532,054	\$ 512,287
State Programs	964,776	-	-	-
State Equalization	14,798,695	-	-	-
Interest Earnings	3,642	249	-	-
Fees	46,368	106,101	-	-
Indirect Cost	51,470	-	-	-
Rent and Royalties	75,158	-	-	-
Refunds of Prior Year's Expenditures	11,800	-	-	-
Forest Reserve	110,847	-	-	-
Local Property Taxes	223,836	-	-	-
TOTAL REVENUES	16,680,770	996,203	532,054	512,287
EXPENDITURES				
Current				
Instruction	8,272,718	-	176,049	218,104
Support Services		-		
Support Services-Students	1,233,171	-	290,278	275,906
Support Services-Instruction	444,022	-	24,875	-
Support Services-General Administration	397,401	-	40,852	18,277
Support Services-School Administration	1,091,311	-	-	-
Central Services	548,615	-	-	-
Operation & Maintenance of Plant	2,169,624	-	-	-
Student Transportation	820,214	-	-	-
Other Support Services	-	-	-	-
Food Services-Operations	-	998,756	-	-
Community Services-Operations	-	-	-	-
Acquisition & Construction	-	-	-	-
Debt Service				
Other Bond Services	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	14,977,076	998,756	532,054	512,287
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	1,703,694	(2,553)	-	-
Other Financing Sources (uses)				
Refunds to PED	-	-	-	-
Transfers In/Out	-	-	-	-
Total Other Financial Sources	-	-	-	-
Net Change In Fund Balance	1,703,694	(2,553)	-	-
FUND BALANCE				
as of June 30, 2014	2,045,753	207,518	-	-
Restatement	-	-	-	-
Restated Balance	2,045,753	207,518	-	-
FUND BALANCE as of June 30, 2015	\$ 3,749,447	\$ 204,965	\$ -	\$ -

The accompanying footnotes are an integral part of these financial statements.

TEACHER PRINCIPAL TRAINING	SENATE BILL NINE	BOND BUILDING	DEBT SERVICE	Other Governmental Funds	Total Governmental
\$ 143,506	\$ -	\$ -	\$ -	\$ 292,087	\$ 2,763,965
-	45,667	-	-	516,765	1,527,208
-	-	-	-	-	14,798,695
-	2,286	2,190	1,837	51	10,255
-	-	-	-	59,035	211,504
-	-	-	-	-	51,470
-	-	-	-	-	75,158
-	-	-	-	156	11,956
-	-	-	-	-	110,847
-	1,288,827	-	3,843,083	322	5,356,068
143,506	1,336,780	2,190	3,844,920	868,416	24,917,126
58,716	-	-	-	534,234	9,259,821
55,272	-	-	-	261,026	2,115,653
-	-	-	-	7,738	476,635
5,119	12,888	-	40,116	34,700	549,353
24,399	-	-	-	21,676	1,137,386
-	-	-	-	-	548,615
-	-	-	-	1,682	2,171,306
-	-	-	-	40,763	860,977
-	-	-	-	-	-
-	-	-	-	5,301	1,004,057
-	-	-	-	-	-
-	1,309,606	217,113	-	-	1,526,719
-	-	-	-	-	-
-	-	-	2,825,000	-	2,825,000
-	-	-	847,149	-	847,149
143,506	1,322,494	217,113	3,712,265	907,120	23,322,671
-	14,286	(214,923)	132,655	(38,704)	1,594,455
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	14,286	(214,923)	132,655	(38,704)	1,594,455
-	2,650,454	2,238,734	3,546,919	229,344	10,918,722
-	-	-	-	(3,412)	(3,412)
-	2,650,454	2,238,734	3,546,919	225,932	10,915,310
\$ -	\$ 2,664,740	\$ 2,023,811	\$ 3,679,574	\$ 187,228	\$ 12,509,765

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

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

Net change in fund balance - total governmental funds	\$ 1,594,455
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	(1,752,568)
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.	20,691
(Increase)/Decrease in pension expense from the difference in allocated pension expense less the District's actual pension contributions.	335,980
Expenses in the statement of activities which do not require use of current financial resources	
Increase in interest Payable	(12,844)
Increase in compensated absences	(15,513)
Bond Principal	2,825,000
Bond Premium Amortization	60,431
Change in Net Position	<u>\$ 3,055,632</u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS
COMBINED STATEMENT OF REVENUE AND EXPENDITURES--BUDGET
(NON-GAAP) AND ACTUAL-GENERAL FUND
Year Ended June 30, 2015

	General Fund			VARIANCE
	ORIGINAL BUDGET	BUDGET	ACTUAL	Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 220,038	\$ 220,038	\$ 223,836	\$ 3,798
Fees Activities	2,200	2,200	1,585	(615)
Fees-Users	25,000	25,000	44,783	19,783
Interest Income	2,500	2,500	3,642	1,142
State Equalization	14,641,102	14,641,102	14,798,695	157,593
Impact Aid	506,084	506,084	304,413	(201,671)
Rent	65,000	65,000	75,000	10,000
Access Board	-	-	89,765	89,765
Refunds	-	-	12,291	12,291
Royalties	-	-	158	158
Indirect Cost - (DFG)	1,300	1,300	-	(1,300)
Indirect Cost - (Flow Through Grants)	24,000	24,000	51,470	27,470
Forest Reserve	-	-	110,847	110,847
State Sources	850,419	964,286	964,285	(1)
TOTAL REVENUE	<u>16,337,643</u>	<u>16,451,510</u>	<u>16,680,770</u>	<u>\$ 229,261</u>
 Cash Balance Budgeted	 1,197,928	 1,197,928		
 TOTAL REVENUE & CASH	 <u>\$ 17,535,571</u>	 <u>\$ 17,649,438</u>		
EXPENDITURES				
Current				
Instruction	9,329,302	9,359,369	8,272,716	\$ 1,086,653
Support Services				
Support Services-Students	1,524,175	1,485,229	1,233,171	252,058
Support Services-Instruction	386,331	450,277	444,022	6,255
Support Services-General Administration	554,336	554,336	397,401	156,935
Support Services-School Administration	1,144,606	1,144,606	1,091,311	53,295
Central Services	626,272	626,272	548,615	77,657
Operation & Maintenance of Plant	2,349,950	2,349,950	2,199,006	150,944
Student Transportation	746,165	820,215	820,214	1
Other Support Services	874,434	874,434	-	874,434
TOTAL EXPENDITURES	<u>\$ 17,535,571</u>	<u>\$ 17,664,688</u>	<u>\$ 15,006,456</u>	<u>\$ 2,658,232</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 16,680,770
Differences-Budget to GAAP	
Total Revenues (GAAP Basis)	<u>\$ 16,680,770</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 15,006,456
Differences-budget to GAAP	
Accounts Payable	(29,380)
Total Expenditures (GAAP Basis)	<u>\$ 14,977,076</u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--SPECIAL REVENUE FUND--CAFETERIA

Year Ended June 30, 2015

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees-Users	\$ 134,295	\$ 134,295	\$ 106,101	\$ (28,194)
Interest Income	174	174	249	75
Federal Revenue	810,000	810,000	848,871	38,871
TOTAL REVENUE	<u>944,469</u>	<u>944,469</u>	<u>\$ 955,221</u>	<u>\$ 10,752</u>

Cash Balance Budgeted	<u>162,426</u>	<u>162,426</u>		
TOTAL REVENUE & CASH	<u>\$ 1,106,895</u>	<u>\$ 1,106,895</u>		

EXPENDITURES

Current

Food Services-Operations	\$ 1,106,895	\$ 1,106,895	\$ 958,429	\$ 148,466
TOTAL EXPENDITURES	<u>\$ 1,106,895</u>	<u>\$ 1,106,895</u>	<u>\$ 958,429</u>	<u>\$ 148,466</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 955,221
Differences-Budget to GAAP	
Commodities Received	40,982
Total Revenues (GAAP Basis)	<u>\$ 996,203</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 958,429
Differences-budget to GAAP	
Cost of Commodities Used	40,982
Inventory Adjustment	(655)
Total Expenditures (GAAP Basis)	<u>\$ 998,756</u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--SPECIAL REVENUE FUND--TITLE I

Year Ended June 30, 2015

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 529,508	\$ 538,061	\$ 455,286	\$ (82,775)
TOTAL REVENUE	<u>529,508</u>	<u>538,061</u>	<u>\$ 455,286</u>	<u>\$ (82,775)</u>
 Cash Balance Budgeted	 <u>-</u>	 <u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 529,508</u>	<u>\$ 538,061</u>		
EXPENDITURES				
Current				
Instruction	\$ 162,227	\$ 177,680	\$ 176,049	\$ 1,631
Support Services				
Support Services-Students	315,361	291,924	290,278	1,646
Support Services-Instruction	-	24,894	24,875	19
Support Services-General Administration	20,598	41,505	40,852	653
Support Services-School Administration	31,322	2,058	-	2,058
TOTAL EXPENDITURES	<u>\$ 529,508</u>	<u>\$ 538,061</u>	<u>\$ 532,054</u>	<u>\$ 6,007</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 455,286
Differences-Budget to GAAP	
Current Year Receivable	155,101
Prior Year Receivable	(78,333)
Total Revenues (GAAP Basis)	<u>\$ 532,054</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 532,054
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 532,054</u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--SPECIAL REVENUE FUND--ENTITLEMENT

Year Ended June 30, 2015

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 478,308	\$ 595,895	\$ 459,576	\$ (136,319)
TOTAL REVENUE	<u>478,308</u>	<u>595,895</u>	<u>\$ 459,576</u>	<u>\$ (136,319)</u>
 Cash Balance Budgeted	 <u> </u>	 <u> </u>		
TOTAL REVENUE & CASH	<u>\$ 478,308</u>	<u>\$ 595,895</u>		
EXPENDITURES				
Current				
Instruction	\$ 265,940	\$ 260,680	\$ 218,104	\$ 42,576
Support Services				
Support Services-Students	209,600	312,903	275,906	36,997
Support Services-Instruction	-	-	-	-
Support Services-General Administration	2,768	22,312	18,277	4,035
TOTAL EXPENDITURES	<u>\$ 478,308</u>	<u>\$ 595,895</u>	<u>\$ 512,287</u>	<u>\$ 83,608</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 459,576
Differences-Budget to GAAP	
Current Year Receivable	185,082
Prior Year Receivable	(132,371)
Total Revenues (GAAP Basis)	<u>\$ 512,287</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 512,287
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 512,287</u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--SPECIAL REVENUE FUND--TEACHER/PRINCIPAL TRAINING & RECRUITING

Year Ended June 30, 2015

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Revenue	\$ 131,604	\$ 145,862	\$ 78,701	\$ (67,161)
TOTAL REVENUE	<u>131,604</u>	<u>145,862</u>	<u>\$ 78,701</u>	<u>\$ (67,161)</u>
 Cash Balance Budgeted	 <u>-</u>	 <u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 131,604</u>	<u>\$ 145,862</u>		
EXPENDITURES				
Current				
Instruction	\$ -	\$ 58,717	\$ 58,716	\$ 1
Support Services				
Support Services-Students	\$ 101,952	\$ 55,493	\$ 55,272	\$ 221
Support Services-General Administration	5,119	5,119	5,119	-
Support Services-School Administration	24,533	26,533	24,399	2,134
TOTAL EXPENDITURES	<u>\$ 131,604</u>	<u>\$ 145,862</u>	<u>\$ 143,506</u>	<u>\$ 2,356</u>

Explanation of Difference between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis)	\$ 78,701
Differences-Budget to GAAP	
Current Year Receivable	123,193
Prior Year Receivable	(58,388)
Total Revenues (GAAP Basis)	<u>\$ 143,506</u>

Uses/outflows of resources

Actual amounts (budgetary basis)	\$ 143,506
Differences-budget to GAAP	
Total Expenditures (GAAP Basis)	<u>\$ 143,506</u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

SCHEDULE OF FIDUCIARY ASSETS & LIABILITIES--AGENCY FUND

June 30, 2015

ASSETS	
Cash on Deposit	\$ 225,124
Due from Operational	1,200
TOTAL ASSETS	<u>\$ 226,324</u>
LIABILITIES	
Due to Student Groups	\$ 226,324
TOTAL LIABILITIES	<u>\$ 226,324</u>

The accompanying footnotes are an integral part of these financial statements.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

I. Summary of Significant Accounting Policies

A. Reporting Entity

Ruidoso Municipal School District is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education in the Village of Ruidoso and surrounding area. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Ruidoso Municipal School District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no component units.

B. Government-wide and fund financial statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectible amounts, in the year for which they are levied, even if not available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

I. Summary of Significant Accounting Policies (continued)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Funds – The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CAFETERIA – The purpose of this account is to receive income from lunch sales or state and federal school lunch grants, and to make disbursements for those activities, which have as their purpose the preparation and serving of meals, lunches or snacks in connection with bona-fide food service operations in agreement with the School Lunch Division of the State Department of Education. Authority for the creation of this fund is NMSA 1978, 22-13-13.

TITLE I – The Title I project provides remedial instruction in language arts for educationally deprived students in low-income areas. The project is funded by the Federal Government through the New Mexico State Department of Education under the Elementary and Secondary Education Act of 1965, Title I, Chapter I, part A, 20 U.S.C. 2701 et seq.

IDEA B ENTITLEMENT – P.L. 94-142, Individuals with Disabilities Education Act—to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17

TEACHER/PRINCIPAL TRAINING – To provide grants to State Education Agencies on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

SB 9 (Capital Projects Fund) – To account for 2 mill levy restricted by board resolution for erecting, remodeling, making additions to, providing equipment for, furnishing school buildings, and improving school grounds and maintenance of school buildings and grounds exclusive of salary expense of employees. Authority for the creation of this fund is NMSA 1978, 22-25-1 to 22-25-10.

BOND BUILDING (Capital Projects Fund) – To account for the costs of capital improvements, such as erecting, remodeling, making additions to, providing equipment for and furnishing school buildings, purchasing and improving school grounds funded from the sale of General Obligation Bonds.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The government also reports the following fund types:

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

I. Summary of Significant Accounting Policies (continued)

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

Governmental Funds:

Nonmajor Special Revenue Funds – The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund.

Nonmajor Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Nonmajor Capital Project Funds – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary Funds:

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

I. Summary of Significant Accounting Policies (continued)

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

Similar to private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds of the District must follow the investment policies listed below.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the school district. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

The School District's property taxes are levied each year on the assessed valuation of property located in the School District as of the preceding January 1st. The assessed valuation for the 2015 fiscal year was \$653,046,432. Mill levy rates are set by the State of New Mexico each year for the General Fund, SB - 9 Capital Improvements Fund, and Debt Service Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

3. Inventories

The food inventories are valued at cost using the first-in/first-out (FIFO) method. USDA Commodities are recorded at estimated costs. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life that extends beyond a single reporting period. The District is capitalizing qualifying software and library books as required. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Vehicles and Equipment	5

5. Compensated absences

All District employees on a 12 month contract earn annual leave at a rate of 10 days per year. Twelve month District employees, upon receipt of a second consecutive 12 month contract earn 15 days per year. Employees shall not accumulate more than 15 days of annual leave upon termination; employees are paid for their accrued annual leave, up to a maximum of 15 days.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

D. Assets, liabilities, and net assets or equity

6. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

7. Fund equity

For the government-wide financial statements, net assets are reported as restricted when constraints are placed on net asset use are either 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws and regulations of other governments; 2) Imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Comparative data/reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

9. Indirect Costs

The School District's General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.

10. Salaries and Wages

The School District pays all salaries and wages due teachers on or before June 30th of each year.

11. Estimates

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

12. Revenues

State Equalization Guarantee: School districts in the State of New Mexico receive a "state equalization guarantee distribution" which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program cost".

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$14,798,695 in state equalization guarantee distributions during the year ended June 30, 2015.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

D. Assets, liabilities, and net assets or equity

12. Revenues

Transportation Distribution: School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$820,215 in transportation distributions during the year ended June 30, 2015.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund *balance total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains, long-term liabilities, including bonds payable, is not due and payable in the current period and therefore is not reported in the funds." The details of the \$31,065,000 difference are as follows:

Bonds Payable	\$ 31,065,000
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 31,065,000</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,752,568 difference are as follows:

Capital Outlay	\$ 327,269
Depreciation expense	<u>2,079,837</u>
Net adjustment to increase net changes in fund balances – total government funds to arrive at changes in net assets of governmental activities	<u>\$ (1,752,568)</u>

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$2,825,000 difference are as follows:

Principal repayments:	
General obligation debt	\$ 2,825,000
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,825,000</u>

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

III. Stewardship, compliance, and accountability

A. Budgetary Information

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

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be reappropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance. The legal level of budgetary control is at the function level.

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

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

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

- In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
- In May or June, the budget is approved by the Board of Education
- The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
- The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
- Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.
- The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2015 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	<u>Original Budget</u>	<u>Final Budget</u>
General Fund	\$ 17,535,571	\$ 15,005,668
Special Revenue Fund	2,990,155	3,053,396
Debt Service	6,528,242	3,712,268
Capital Projects Fund	3,426,320	12,888
	<u>\$ 30,480,288</u>	<u>\$ 21,784,220</u>

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

III. Stewardship, compliance, and accountability (continued)

B. Deficit fund equity

There were not any deficit fund balances at June 30, 2015.

IV. Detailed notes on all funds

A. Cash and temporary investments

At June 30, 2015, the carrying amount of the District's deposits was \$12,161,278 and the bank balance was \$13,186,425. Of this balance \$250,000 was covered by federal depository insurance and \$10,500,000 was covered by collateral held in the District's name in joint safekeeping by a third party.

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution.

The collateral pledged is identified in the Supplementary Information of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits

Custodial Credit Risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial risk. As of June 30, 2015, none of the government's bank balance of \$13,186,425 was exposed to custodial risk as follows:

Uninsured and Uncollateralized	\$ 2,436,425
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STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

IV. Detailed notes on all funds (continued)

B. Receivables

Receivables as of year end for the government's individual major funds and non-major funds in the aggregate, including the following:

	Due From Other Agencies	Property Taxes Receivable
General Funds	\$ -	\$ 7,247
Senate Bill Nine	-	39,113
Debt Service	-	112,332
Ed Tech Debt Service	-	1,080
Title I	155,101	-
Entitlement	185,082	-
IDEA B Risk Pool	449	-
Preschool	7,346	-
Teacher/Principal Training	123,193	-
Rural and Low Income Schools	13,761	-
Pre-K Initiative	14,498	-
Breakfast for Elementary Students	3,754	-
2012 GO Bond Student Library	7,738	-
NM Reads to Lead	2,209	-
Robot Systems for Math Competitions	21,228	-
Indian Education Act	24,693	-
Kindergarten Three Plus After School	2,912	-
After School Enrichment	28,277	-
Totals	\$ <u>590,241</u>	\$ <u>159,772</u>

Governmental funds reported *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Amounts due to the District from delinquent property tax due to the County Treasurer were not available. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable
Grant draw downs prior to meeting all eligibility requirements	\$ 18,062
Property Taxes – Delinquent	<u>159,772</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 177,834</u>

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

IV. Detailed notes on all funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance 06/30/14	Adjustments	Increases	Decreases	Balance 06/30/15
Governmental Activities					
Capital Assets not being depreciated					
Land	\$ 1,340,817	\$ -	\$ -	\$ -	\$ 1,340,817
Construction in Progress	-	-	-	-	-
Total Capital Assets not being depreciated	1,340,817	-	-	-	1,340,817
Capital Assets being depreciated					
Buildings & Improvements	66,892,443	-	181,398	-	67,073,841
Land Improvements	10,234,740	-	32,069	-	10,266,809
Equipment	1,887,308	-	113,802	-	2,001,110
Total Capital Assets being depreciated	79,014,491	-	327,269	-	79,341,760
Less: Accumulated Depreciation					
Buildings & Improvements	18,204,343	-	1,505,394	-	19,709,737
Land Improvements	2,745,032	-	453,005	-	3,198,037
Equipment	1,326,704	-	121,438	-	1,448,142
Total Accumulated Depreciation	22,276,079	-	2,079,837	-	24,355,916
Net Capital Assets being depreciated	56,738,412	-	(1,752,568)	-	54,985,844
Total Net Capital Assets	\$ 58,079,229	\$ -	\$ (1,752,568)	\$ -	\$ 56,326,661

The Schedule of General Capital Assets by Function and Activity, and the Schedule of Changes in General Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

Depreciation expense was not charged to function/programs of the School District because the detail information was not available due to historical data not being available.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

IV. Detailed notes on all funds (continued)

D. Long-term debt – General Obligation Bonds

Series	Original Amount	Interest Rate	Balance 6/30/2014	Additions	Retirements	Balance 6/30/2015	Amount Due in One Year
2006	14,500,000	5.00%	2,000,000	-	1,000,000	1,000,000	1,000,000
2007	8,500,000	5.00%	6,600,000	-	500,000	6,100,000	600,000
2008	3,000,000	4.00%	2,050,000	-	200,000	1,850,000	200,000
		2.00%-					
2011	9,000,000	2.875%	8,700,000	-	300,000	8,400,000	300,000
2013	5,000,000	2.00%-3.00%	4,560,000	-	575,000	3,985,000	710,000
2014	9,980,000	1.50%-3.00%	9,980,000	-	250,000	9,730,000	225,000
Total	<u>\$ 49,980,000</u>		<u>\$ 36,000,000</u>	<u>\$ -</u>	<u>2,825,000</u>	<u>\$ 31,065,000</u>	<u>\$ 3,035,000</u>

Fiscal Year	Principal	Interest	Total
2016	3,035,000	811,588	3,846,588
2017	2,350,000	721,956	3,071,956
2018	2,550,000	654,425	3,204,425
2019	2,725,000	594,588	3,319,588
2020	3,000,000	524,563	3,524,563
2021-2025	14,905,000	1,315,113	16,220,113
2026	2,500,000	34,063	2,534,063
	<u>\$ 31,065,000</u>	<u>\$ 4,656,296</u>	<u>\$ 35,721,296</u>

The bonds and bond interest are paid from property tax levies enacted specifically for the debt retirement. The revenues pledged totaled \$3,843,083 at June 30, 2015, and equal to 100% of the tax levies enacted to repay the bonded indebtedness. The bonds were sold to erect and furnish facilities for the District. The property tax levies will expire when the related bond indebtedness is repaid.

During the year ended June 30, 2015, the District recognized \$3,843,083 in property taxes pledged to retire the bonded indebtedness, and retired \$3,673,835 in bond principal and interest.

Legal Debt Margin

The legal debt margin is specified by Article IX Section 11 of the Constitution of the State of New Mexico as not greater than 6% of the assessed value of the taxable property within the School District. Based on these criteria, the maximum general obligation debt permissible is \$38,926,108 including \$31,065,000 debt outstanding based on the 2014 initial valuation.

E. Compensated Absences

Liability for Compensated Absences

Balance June 30, 2014	Vacation Used	Vacation Accrued	Balance June 30, 2015	Amount Due in One Year
\$50,464	\$46,558	\$60,036	\$64,391	\$64,391

The operational fund, which is a part of the general fund, has typically been used in the past to liquidate other long term liabilities such as compensated absences.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

V. Other information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985, under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2015.

B. Contingent liabilities

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

C. Employee retirement plan

Pensions For purposes of measuring the net pension liability, deferred outflows 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 Employee's Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

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

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

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

V. Other information (continued)

C. Employee retirement plan (continued)

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 before July 1, 2010, or 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 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 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 20, 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 be 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 retirement. 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 year or more years of service credit have 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 provided 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 years 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 state of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of defined benefit plan members and the *(names of employer)* 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 \$1,345,438 for the year ended June 30, 2015.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

V. Other information (continued)

C. Employee retirement plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 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's reported a liability of \$19,782,901 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's proportion was .34672 percent, which was a decrease of .02226% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,009,471. At 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	\$ -	\$ 294,695
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,798,347
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,037,124
District's contributions subsequent to the measurement date	<u>1,345,438</u>	-
Total	<u>\$1,345,438</u>	<u>\$3,130,166</u>

\$1,345,438 reported as deferred outflows of resources related to pensions resulting from the 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	(\$912,027)
2017	(\$912,027)
2018	(\$856,535)
2019	(\$449,590)
2020	-

Actuarial assumptions. As described above, the total ERB pension liability and net 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 assumption:

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. COLA's 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.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

V. Other information (continued)

C. Employee retirement plan (continued)

For those 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 measurements 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)

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 from 2014 and 2013 for 30-year return assumptions are summarized in the following table:

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

V. Other information (continued)

C. Employee retirement plan (continued)

Commodities	5.00%	5.00%
Hedge Fund 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 District's proportionate share of the net pension 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%)
District's proportionate share of the net pension liability	<u>\$26,916,921</u>	<u>\$19,782,901</u>	<u>\$13,823,983</u>

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

Payable to the pension plan. The District has no payables to the pension plan

D. Post-retirement health care benefits

Plan Description. 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.

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RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

V. Other information (continued)

D. Post-retirement health care benefits (continued)

Funding Policy - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The 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, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$193,599, \$191,136 and \$201,267, respectively, which equal the required contributions for each year.

E. Interfund Balances

Due from	Due to Operational
Title I	155,101
Entitlement	185,082
IDEA B Risk Pool	449
Preschool	7,346
Teacher/Principal Training	123,193
Rural and Low Income Schools	13,761
Pre-K Initiative	14,498
Breakfast for Elementary Students	3,754
2012 GO Bond Student Library	7,738
NM Reads to Lead	2,209
Robot Systems for Math Competitions	21,228
Indian Education Act	24,693
Kindergarten Three Plus After School	2,912
After School Enrichment	28,277
	<u>\$ 590,241</u>

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

V. Other information (continued)

F. Fund Balances Classified

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented here.

Fund Balances	General Fund	Food Service	Bond Building	Senate Bill 9	Debt Service	Non-Major Governmental Funds	Total
Non-Spendable:							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,631	\$ 2,631
Total Nonspendable	-	-	-	-	-	2,631	2,631
Restricted for:							
Debt Service	-	-	-	-	3,679,574	831	3,680,405
Capital Improvements	-	-	2,023,811	2,664,740	-	-	4,688,551
Athletics	-	-	-	-	-	50,043	50,043
Cafeteria	-	202,334	-	-	-	-	202,334
Instructional Materials	51,618	-	-	-	-	-	51,618
Transportation	1	-	-	-	-	-	1
Special Revenue	-	-	-	-	-	136,354	136,354
Total restricted	51,619	202,334	2,023,811	2,664,740	3,679,574	187,228	8,809,306
Unassigned	3,697,828	-	-	-	-	-	3,697,828
Total Fund Balances	\$ 3,749,447	\$ 202,334	\$ 2,023,811	\$ 2,664,740	\$ 3,679,574	\$ 187,228	\$ 12,509,765

G. Restatement of Net Position

Beginning net position was restated for (\$21,907,020) for the following reasons.

Net position July 1, 2013	\$ 34,403,082
Restatement to record Net Pension Liability	(21,903,608)
Voided check from prior year expenditure in Athletic Fund	895
Restatement of deferred revenue in Indian Ed Formula	(4,307)
Restated net position July 1, 2013	\$ 12,496,062

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

The Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Limited Book-Entry Responsibilities

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

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

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

APPENDIX D

BOND COUNSEL OPINION

FORM OF BOND COUNSEL OPINION

October ___, 2016

Board of Education
Ruidoso Municipal School District No. 3
Ruidoso, New Mexico

Re: \$9,500,000 Ruidoso Municipal School District No. 3, General Obligation School Bonds, Series 2016 (the "Bonds")

Ladies and Gentlemen:

We have acted as bond counsel to the Ruidoso Municipal School District No. 3 (the "District") in connection with the issuance of its \$9,500,000 General Obligation School Bonds, Series 2016 (the "Bonds"), dated their date of issuance, 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 October 1 in the years 2017 through 2031, inclusive.

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

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

2. 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 excludable from 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. However, interest on the Bonds is included as an adjustment in calculating corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax. 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 excludable from net income for purposes of the tax imposed on individuals, estates 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.

We express no opinion as of any date subsequent hereto, and our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this opinion.

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

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

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 Ruidoso Municipal School District No. 3, Lincoln County, New Mexico (the "District"), in connection with the issuance of the \$9,500,000 Ruidoso Municipal School District No. 3, Lincoln County, New Mexico, General Obligation School Bonds, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to the Resolution of the District adopted on September 13, 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")) or operating data with respect to the District, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type included in the sections of the Official Statement entitled "DEBT AND OTHER 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."

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

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

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

(e) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, (703) 797-9600, fax (703) 797-6708.

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

(g) "Report Date" means March 31 of each year, beginning in 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, 5 240.15~2-12), as the same may be amended from time to time.

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

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

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

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

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

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

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-

TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax 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.

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

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

Section 6. Term. The District's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Resolution; (ii) the date on which the District is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or

unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

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

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

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

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

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

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

Section 9. Special Funds. This Undertaking shall be subject to availability of necessary funds from annual revenues of the District and shall not be deemed to create a general obligation indebtedness of the District.

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

Date: October 19, 2016

BOARD OF EDUCATION OF
RUIDOSO MUNICIPAL SCHOOL
DISTRICT NO. 3

By: _____
President

By: _____
Superintendent

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