

NOTICE

CLOVIS MUNICIPAL SCHOOL DISTRICT NO. 1
\$3,000,000¹ - General Obligation School Bonds, Series 2019 (the "Bonds")

Preliminary Official Statement, subject to completion,
dated September 10, 2019

The Preliminary Official Statement, dated September 10, 2019 (the "Preliminary Official Statement") relating to the above-described bonds (the "Bonds") of the Clovis Municipal School District No. 1 (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 Harrigan at (505) 872-5992. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat 11.0). 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 11.0 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 therefrom.

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

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

¹ Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 10, 2019

CLOVIS MUNICIPAL SCHOOL DISTRICT NO. 1

Curry County, New Mexico

\$3,000,000¹ - General Obligation School Bonds, Series 2019 (the "Bonds")

NEW ISSUE

Book-Entry Only

Bank Qualified

Moody's Rating: Applied For

PURPOSE

Proceeds of the Bonds will be used for the purpose of (i) erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [NMSA 1978, §§ 22-24-1 et. seq.], 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 only form, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of Bonds 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, 2020. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Registrar/Paying Agent. Disbursements of such payments to DTC Participants are the responsibility of DTC. See "The Book-Entry-Only System" in Appendix C. BOKF, N.A., Albuquerque, New Mexico, or its successor is the Registrar/Paying Agent and Escrow Agent for the Bonds.

**OPTIONAL
REDEMPTION**

The Bonds are subject to redemption prior to maturity as provided herein.

SECURITY

The Bonds are general obligations of the Clovis Municipal School District No. 1, Curry County, New Mexico, payable solely out of general (ad valorem) property taxes which are required to be levied against all taxable property in the District without limitation as to rate or amount.

**BOND AND TAX
OPINION**

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded from gross income under present federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Tax Code") and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under present federal income tax laws except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. Bond Counsel is further of the opinion that, assuming continuous compliance with certain covenants, interest on the Bonds is exempt from taxation by the State of New Mexico or any subdivision thereof. Delivery of the Series 2019 Bonds is also subject to the delivery of an approving opinion of the Attorney General of the State of New Mexico. 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.) The District has designated the Bonds as "Qualified Tax Exempt Obligations" for the purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986 (see "Financial Institution Interest Deduction" herein.)

DELIVERY

When, as and if issued, through DTC's facilities, on or about October 2, 2019

DATED DATE

Date of Delivery

DUE DATE

August 1, as shown on the following page:

Sealed and electronic bids will be opened at 10:00 AM, prevailing Mountain Time on Tuesday, September 17, 2019.

See "Notice of Meeting and Sale" enclosed.

¹ Preliminary, subject to change. See "Official Notice of Bond Sale" for each respective series of the Bonds.

\$3,000,000 General Obligation School Building Bonds, Series 2019

| <u>Year</u> | <u>Principal</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Cusip #</u> <u>189414</u> | <u>Year</u> | <u>Principal</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Cusip #</u> <u>189414</u> |
|-------------|------------------|----------------------|--------------|---------------------------------|-------------|------------------|----------------------|--------------|---------------------------------|
| 2020 | \$0 | | | | 2028 | \$100,000 | | | |
| 2021 | 210,000 | | | | 2029 | 150,000 | | | |
| 2022 | 100,000 | | | | 2030 | 325,000 | | | |
| 2023 | 50,000 | | | | 2031 | 325,000 | | | |
| 2024 | 50,000 | | | | 2032 | 325,000 | | | |
| 2025 | 50,000 | | | | 2033 | 325,000 | | | |
| 2026 | 100,000 | | | | 2034 | 325,000 | | | |
| 2027 | 100,000 | | | | 2035 | 465,000 | | | |

⁽¹⁾ Preliminary, subject to change

***CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the District, the Financial Advisor nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.*

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ISSUER

Clovis Municipal School District No. 1
Curry County, New Mexico
1009 Main Street
Clovis, New Mexico 88101
(505) 769-4300
(505) 769-4334 - Fax

BOARD OF EDUCATION

President: Cindy Osburn
Vice-President: Kyle Snider
Secretary: Paul Cordova
Member: Shawn Hamilton
Member: Terry Martin

FINANCIAL ADVISOR

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

PAYING AGENT/REGISTRAR

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

DISTRICT ADMINISTRATION

Superintendent: Renee Russ
Deputy Superintendent of Employee Services: Joe Strickland
Deputy Superintendent of Academic Services and Leadership: Mitzi Estes
Deputy Superintendent of Finance and Operations: Shawna Russell

BOND COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
P.O. Box 2168
Albuquerque, New Mexico 87103
(505) 848-1800

ELECTRONIC BID PROVIDER

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

A Few Words About Official Statements

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

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 District and other reliable sources have provided information for this Official Statement, with the goal of providing disclosure to investors which meets legal requirements.

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. While the Financial Advisor has performed a review sufficient to form a reasonable basis for its belief in the accuracy and completeness of the key representations of the District contained in this Official Statement, the Financial Advisor does not guarantee the accuracy or completeness of the Official Statement. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

Bond Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico was not requested and did not take part in the preparation of the Official Statement nor has 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

Clovis Municipal School District No. 1
1009 Main Street
Clovis, NM 88101
Attn: Shawna Russell

Financial Advisor

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

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Clovis Municipal School District No. 1

Curry County, New Mexico

\$3,000,000¹ - General Obligation School Bonds, Series 2019 (the “Bonds”)

INTRODUCTION

Thank you for your interest in learning more about the \$3,000,000¹ Clovis Municipal School District No. 1, New Mexico, General Obligation School Bonds, Series 2019 (“the Bonds”). This Official Statement will tell you about the Bonds, their security and the risks involved in an investment in the Bonds.

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

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

The Issuer

The District is a political subdivision of the State of New Mexico (the "State") organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 462 square miles, which includes the City of Clovis (the "City") and unincorporated portions of Curry County (the "County") in east-Central New Mexico. The District's 2018 assessed valuation is \$840,279,849 and its 2018-19 student enrollment was 7,871. See "THE DISTRICT."

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, 2018, contained in Appendix B, this Official Statement presents unaudited financial and statistical information from District records and other sources. The June 30, 2018 audited financial statements contained in Appendix B present only a portion of the financial statements. A copy of the entire financial statements of the District is available on the New Mexico Office of the State Auditor's website at www.saonm.org.

Plan of Finance

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

The Bonds represent the third series of a total of \$20 million in bonds authorized by voters at an election held on February 7, 2017.

¹ Preliminary, subject to change. See "Official Notice of Bond Sale" for each respective Series of the Bonds.

Selected Debt Ratios

| | |
|--|--------------------------------|
| 2018 Assessed Valuation | \$840,279,849 |
| 2018 Estimated Actual Valuation | \$2,915,931,453 ⁽¹⁾ |
| District General Obligation | |
| Debt Outstanding (Including the "Bonds") | 47,240,000 |
| District Net General Obligation Debt | \$44,451,851 |
| District Net Debt as a Percentage of | |
| Assessed Valuation | 5.29% |
| Estimated Actual Valuation | 1.52% |
| Estimated Direct & Overlapping G/O Debt | \$54,313,334 |
| Direct & Overlapping Debt as a Percentage of | |
| Assessed Valuation | 6.46% |
| Estimated Actual Valuation | 1.86% |
| Estimated Population | 40,000 |
| District Net Debt Per Capita | \$1,111.30 |
| Direct & Overlapping Debt Per Capita | \$1,357.83 |

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

THE BONDS

New Mexico law enables the District to issue the Bonds including NMSA 1978, Section 6-15-11 through Section 6-15-22, NMSA, 1978. The New Mexico Attorney General will provide a written approving opinion with respect 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**".

Security for the Bonds

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

Bond Registrar and Paying Agent

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

Optional Prior Redemption

The Bonds maturing on or after August 1, 2027 may be redeemed prior to their scheduled maturities on August 1, 2026, or on any date thereafter, in whole or in part, at the option of the District, with funds derived from any available and lawful source, at the redemption price of par, plus accrued interest to the date fixed for redemption. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

Record Date

The Record Date for the Bonds with respect to any interest payment date is the 15th day of the month (whether or not a business day) immediately preceding the interest payment date. The person in whose name any Bond is registered on any Record Date with respect to any interest payment date shall be entitled to receive the interest payable thereon on such interest payment date notwithstanding any transfer or exchange thereof subsequent to such Record Date and prior to such interest payment date.

Redemption Notices

Notice of prior redemption shall be given by the Registrar by sending a copy of such notice by registered or certified first-class, postage prepaid mail, not more than 60 days and not less than 30 days prior to the redemption date as shown on the registration books as of the date of selection of the bonds to be redeemed. Failure to give such notice by mailing to the registered owner of any Bond or any defect therein, shall not affect the validity of the proceedings for the redemption of any of the Bonds.

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

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

Transfers and Exchanges

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 below, 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 won't 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.

SOURCES AND USES OF FUNDS:

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

| Sources | The Bonds |
|---------------------|-----------|
| Par Amount of Bonds | |
| Net Premium | |
| Total | |

| Uses |
|---|
| Project Fund |
| Costs of Issuance (other than Underwriter's Discount) |
| Underwriter's Discount |
| Debt Service Fund |
| Total |

SECURITY AND REMEDIES

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

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

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

Limitations of Remedies

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

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

exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM

The New Mexico legislature amended NMSA 1978, Sections 22-18-1 et. seq. in the first session of 2003 by adding Section 22-1813 which became effective July 1, 2003. Section 22-18-13 was further amended in 2007 and provides that, if a school district indicates that it will not make the payment by the date on which it is due, the New Mexico Department of Finance and Administration (“DFA”) shall forward the amount in immediately available funds necessary to make the payment due on the bonds to the paying agent from the current fiscal year’s undistributed State Equalization Guarantee (“SEG”) distribution to that school district and, if not otherwise repaid by the school district from other legally available funds, withhold the distributions from the school district until the amount has been recouped by the DFA, provided that, if the amount of the undistributed SEG distribution in the current fiscal year is less than the payment due on the bond, the DFA shall:

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

This provision applies to all New Mexico school districts.

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

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

Moody’s downgraded the New Mexico School District Enhancement Program (Pre and Post-Default) to Aa2 from Aa1, and assigned a negative outlook on November 1, 2016. On June 18, 2018, Moody’s further downgraded the enhancement rating from “Aa2” to “Aa3” and assigned a stable outlook.

By request, Moody’s will assign a rating to school district bonds upon verification of a requirement in the authorizing Bond Resolution that an independent, third-party paying agent will be appointed and maintained. The District has qualified the Bonds under the New Mexico School District Enhancement Program and received a rating of “Aa3” on the Bonds.

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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, purchasing or improving school grounds, purchase computer software and hardware for student use in public schools, provide matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act or any combination of these purposes but only after the proposition to create any such debt has been submitted to a vote of the qualified electors of the District, and a majority of those voting on the question vote in favor of creating the debt. The total indebtedness of the District may not exceed 6% of the assessed valuation of the taxable property within the District as shown by the last preceding general assessment. 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 2018 assessed valuation of taxable property within the District is \$840,279,849, 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 \$50,416,791.

After the Bonds are issued, the ratio of total outstanding general obligation (G/O) debt of the District to the 2018 assessed valuation will be no greater than 6.46% as summarized below:

| | |
|---|--------------------|
| 2018 Assessed Valuation | \$840,279,849 |
| 2018 Estimated Actual Valuation ⁽²⁾ | \$2,915,931,453 |
| Bonded Debt | |
| Current Total Outstanding (Including the "Bonds") | \$47,240,000 |
| Less Debt Service Fund Balance ⁽¹⁾ | <u>(2,788,149)</u> |
| NET DEBT | \$44,451,851 |
| Ratio of Estimated Net Debt to 2018 Assessed Valuation: | 6.46% |
| Ratio of Estimated Net Debt to 2018 Estimated Actual Valuation: | 1.86% |
| Per Capita Net Bonded Debt | \$1,111.30 |
| Est. Population: | 40,000 |

1) - Preliminary, subject to change.

(1) As of 6/30/2019, the debt service cash balance for the Bonds was \$4,083,824. The amount attributable to principal reduction is 68.27%.

(2) Estimated Actual Valuation is calculated by adding back exemptions to Assessed Valuation and multiplying the result by three.

Authorized But Unissued Bonds

The District has \$8,000,000 (\$5,000,000 after this proposed financing) of authorized but unissued general obligation bonds from an election held on February 7, 2017.

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 |
|--------|------------------------|----------------|-----------------------|
| 2011 | 8,000,000 | 08/01/2025 | 3,330,000 |
| 2012 | 9,000,000 | 08/01/2027 | 5,540,000 |
| 2013 | 5,000,000 | 08/01/2028 | 4,500,000 |
| 2013B | 4,900,000 | 08/01/2028 | 3,675,000 |
| 2014A | 5,100,000 | 08/01/2029 | 4,675,000 |
| 2015 | 5,000,000 | 08/01/2030 | 4,550,000 |
| 2016A | 5,000,000 | 08/01/2031 | 4,475,000 |
| 2016B | 3,515,000 | 08/01/2023 | 2,545,000 |
| 2017 | 5,000,000 | 08/01/2032 | 4,400,000 |
| 2018 | 7,000,000 | 08/01/2034 | 6,550,000 |
| 2019 | 3,000,000 | 08/01/2035 | 3,000,000 |
| | 60,515,000 | | 47,240,000 |

(1) Preliminary and subject to change.

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.

| Year | Current Requirements | | | Series 2019 Bonds ⁽¹⁾ | | | Total Requirements | | |
|------|----------------------|--------------------|---------------------|----------------------------------|--------------------|--------------------|---------------------|--------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2020 | \$2,755,000 | \$1,156,520 | \$3,911,520 | \$0 | \$123,750 | \$123,750 | \$2,755,000 | \$1,280,270 | \$4,035,270 |
| 2021 | 2,840,000 | 1,085,770 | 3,925,770 | 210,000 | 135,000 | 345,000 | 3,050,000 | 1,220,770 | 4,270,770 |
| 2022 | 3,115,000 | 1,013,190 | 4,128,190 | 100,000 | 125,550 | 225,550 | 3,215,000 | 1,138,740 | 4,353,740 |
| 2023 | 3,350,000 | 933,890 | 4,283,890 | 50,000 | 121,050 | 171,050 | 3,400,000 | 1,054,940 | 4,454,940 |
| 2024 | 3,625,000 | 853,315 | 4,478,315 | 50,000 | 118,800 | 168,800 | 3,675,000 | 972,115 | 4,647,115 |
| 2025 | 4,065,000 | 761,003 | 4,826,003 | 50,000 | 116,550 | 166,550 | 4,115,000 | 877,553 | 4,992,553 |
| 2026 | 4,145,000 | 656,573 | 4,801,573 | 100,000 | 114,300 | 214,300 | 4,245,000 | 770,873 | 5,015,873 |
| 2027 | 4,570,000 | 553,810 | 5,123,810 | 100,000 | 109,800 | 209,800 | 4,670,000 | 663,610 | 5,333,610 |
| 2028 | 4,345,000 | 441,100 | 4,786,100 | 100,000 | 105,300 | 205,300 | 4,445,000 | 546,400 | 4,991,400 |
| 2029 | 3,420,000 | 326,863 | 3,746,863 | 150,000 | 100,800 | 250,800 | 3,570,000 | 427,663 | 3,997,663 |
| 2030 | 2,620,000 | 234,438 | 2,854,438 | 325,000 | 94,050 | 419,050 | 2,945,000 | 328,488 | 3,273,488 |
| 2031 | 1,870,000 | 165,075 | 2,035,075 | 325,000 | 79,425 | 404,425 | 2,195,000 | 244,500 | 2,439,500 |
| 2032 | 1,370,000 | 112,975 | 1,482,975 | 325,000 | 64,800 | 389,800 | 1,695,000 | 177,775 | 1,872,775 |
| 2033 | 1,000,000 | 69,875 | 1,069,875 | 325,000 | 50,175 | 375,175 | 1,325,000 | 120,050 | 1,445,050 |
| 2034 | 1,150,000 | 37,375 | 1,187,375 | 325,000 | 35,550 | 360,550 | 1,475,000 | 72,925 | 1,547,925 |
| 2035 | | | | 465,000 | 20,925 | 485,925 | 465,000 | 20,925 | 485,925 |
| | \$44,240,000 | \$8,401,770 | \$52,641,770 | \$3,000,000 | \$1,515,825 | \$4,515,825 | \$47,240,000 | \$9,917,595 | \$57,157,595 |

(1) Preliminary, subject to change. Average interest rate of 3.50% is used for purposes of illustration

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.

| | 2018 Assessed Value | G/O Debt Outstanding | Percent Applicable | Amount |
|--|--------------------------------|---------------------------------|-------------------------------|---------------------------|
| State of New Mexico | \$61,126,458,199 | \$490,910,000 | 1.37% | \$6,748,334 |
| Curry County | 939,240,787 | - | 89.46% | - |
| City of Clovis | 631,496,570 | - | 100.00% | - |
| Clovis Community College | 840,279,849 | 325,000 | 100.00% | 325,000 |
| Clovis MSD No. 1 | 840,279,849 | 47,240,000 | 100.00% | 47,240,000 ⁽¹⁾ |
| Total Direct & Overlapping | | | | \$54,313,334 |
| Ratio of Estimated Direct & Overlapping Debt to 2018 Preliminary Assessed Valuation: | | | | 6.46% |
| Ratio of Direct & Overlapping Debt to 2018 Preliminary Estimated Actual Valuation: | | | | 1.86% |
| Per Capita Direct & Overlapping Debt: | | | | \$1,357.83 |
| Population: | | | | 40,000 |

(1) Preliminary, subject to change.

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. After deduction of certain personal exemptions, the 2018 assessed valuation is \$840,279,849. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor. The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The analysis of Assessed Valuation follows:

| | 2019* | 2018 | 2017 | 2016 | 2015 | 2014 |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assessments | | | | | | |
| Value of Land | | 94,820,645 | \$92,184,854 | \$90,054,192 | \$87,324,339 | \$84,768,911 |
| Improvements | | 714,497,683 | 689,263,689 | 674,773,332 | 651,173,907 | 616,771,005 |
| Personal Property | | 27,575,004 | 28,035,413 | 28,231,361 | 27,056,461 | 28,004,444 |
| Mobile Homes | | 7,300,792 | 7,337,650 | 7,391,154 | 7,373,103 | 7,309,979 |
| Livestock | | 24,236,165 | 24,453,854 | 26,217,285 | 23,987,331 | 20,386,315 |
| Assessor's Total Value | | 868,430,289 | 841,275,460 | 826,667,324 | 796,915,141 | 757,240,654 |
| Less Exemptions | | | | | | |
| Head of Family | | 6,255,782 | 6,301,258 | 6,323,537 | 6,434,800 | 6,397,138 |
| Veterans | | 15,109,172 | 15,171,045 | 13,971,237 | 13,472,582 | 12,766,199 |
| Other | | 110,332,348 | 106,380,776 | 103,724,785 | 99,206,782 | 98,300,516 |
| Total Exemptions | | 131,697,302 | 127,853,079 | 124,019,559 | 119,114,164 | 117,463,853 |
| Assessors Net Valuation | 742,370,780 | 736,732,987 | 713,422,381 | 702,647,765 | 677,800,977 | 639,776,801 |
| Centrally Assessed | 107,685,165 | 103,546,862 | 93,698,836 | 89,532,688 | 82,613,921 | 73,879,544 |
| Total Assessed Valuation | 850,055,945 | 840,279,849 | 807,121,217 | 792,180,453 | \$760,414,898 | \$713,656,345 |
| Residential | \$560,876,922 | \$545,865,674 | \$526,930,112 | \$518,966,110 | \$503,199,694 | \$471,337,133 |
| Non-Residential | 289,179,023 | 294,414,175 | 280,191,105 | 273,214,343 | 257,125,204 | 242,319,212 |
| | \$850,055,945 | \$840,279,849 | \$807,121,217 | \$792,180,453 | \$760,324,898 | \$713,656,345 |

Source: State of New Mexico, Taxation & Revenue Department, Property Division, and Curry County Assessor's Office

History of Assessed Valuation

Listed below is a 10-year history of assessed valuation for the District compared with the City of Clovis and Curry County.

| Tax Year | Clovis MSD #1 | City of Clovis | Curry County |
|----------|---------------|----------------|--------------|
| 2010 | 581,331,079 | 450,437,286 | 650,202,134 |
| 2011 | 629,728,819 | 497,823,897 | 698,324,849 |
| 2012 | 662,823,489 | 515,179,884 | 736,673,802 |
| 2013 | 696,099,024 | 545,234,184 | 775,834,140 |
| 2014 | 713,656,345 | 561,982,907 | 795,910,707 |
| 2015 | 760,414,898 | 581,128,899 | 850,104,498 |
| 2016 | 792,180,453 | 600,334,042 | 887,925,155 |
| 2017 | 807,121,217 | 609,780,973 | 901,070,092 |
| 2018 | 840,279,849 | 631,496,570 | 939,240,787 |
| 2019* | 850,055,945 | 635,709,377 | 953,685,322 |

Source: Curry County Assessor's Office.

*Preliminary, subject to change

Major Taxpayers

The ten largest taxpayers in the Clovis School District have a combined Assessed Valuation of \$108,836,870 which represents 13.0% of the 2018 assessed valuation. Property taxes are current for these taxpayers. This table is useful in assessing the concentration risk of the tax base.

| Taxpayer | Business | 2018 A.V. | % of District A.V. |
|-----------------------------|-----------|----------------------|--------------------|
| BN&SF Railroad | Railway | \$29,096,165 | 3.5% |
| Southwestern Public Service | Utility | 27,838,412 | 3.3% |
| NM American Water Co. | Utility | 13,114,297 | 1.6% |
| Plateau | Telephone | 8,682,976 | 1.0% |
| Farmer's Electric Coop | Utility | 6,480,016 | 0.8% |
| Rajen Dairy | Dairy | 6,046,171 | 0.7% |
| Heritage Dairy | Dairy | 4,878,998 | 0.6% |
| ENMR | Telephone | 4,503,713 | 0.5% |
| Gas Company of New Mexico | Utility | 4,137,245 | 0.5% |
| Wal-Mart | Retail | 4,058,877 | 0.5% |
| Total | | \$108,836,870 | 13.0% |

Source: Curry County Assessor's Office

Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question. The following table summarizes the tax situation on residential property for 2018-19 Fiscal Year and the previous four years. The District expects no change in the level of its taxes in the foreseeable future but is unable to predict what overlapping entities might do. A high level of taxation may impact the District's ability to repay bonds.

| Within 20 Mill Limit for General Purposes | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| State of New Mexico | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Curry County | 8.816 | 8.924 | 9.062 | 9.278 | 9.352 |
| City of Clovis | 3.344 | 3.316 | 3.300 | 3.349 | 3.366 |
| Clovis Schools | 0.447 | 0.452 | 0.460 | 0.472 | 0.476 |
| Clovis Community College | 1.792 | 1.816 | 1.847 | 1.921 | 1.937 |
| Total | 12.607 | 12.692 | 12.822 | 13.099 | 15.131 |
| Over 20 Mill Limit - Interest, Principal, Judgement, etc. | | | | | |
| State of New Mexico | 1.360 | 1.360 | 1.360 | 1.360 | 1.360 |
| Curry County | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| City of Clovis | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Clovis Schools | 6.841 | 6.889 | 6.917 | 6.946 | 6.941 |
| Clovis Community College | 1.867 | 1.891 | 1.922 | 1.996 | 0.050 |
| Total | 10.068 | 10.140 | 10.199 | 10.302 | 8.351 |
| Total Levy | | | | | |
| State of New Mexico | 1.360 | 1.360 | 1.360 | 1.360 | 1.360 |
| Curry County | 8.816 | 8.924 | 9.062 | 9.278 | 9.352 |
| City of Clovis | 3.344 | 3.316 | 3.300 | 3.349 | 3.366 |
| Clovis Schools | 7.288 | 7.341 | 7.377 | 7.418 | 7.417 |
| Clovis Community College | 1.867 | 1.891 | 1.922 | 1.996 | 1.987 |
| Total Residential | 22.675 | 22.832 | 23.021 | 23.401 | 23.482 |
| Total Non-Residential | 24.437 | 24.427 | 24.041 | 24.410 | 24.426 |
| Total Residential in Unincorporated County | 19.331 | 19.516 | 19.721 | 20.052 | 20.116 |
| Total Non-Residential in Unincorporated County | 20.712 | 20.702 | 20.440 | 20.731 | 20.701 |

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 2009 tax year (2009-10 fiscal year). In February 2017, voters re-authorized the Public Schools Capital Improvements Act levy ("SB9") for residential property for property tax years 2017 through 2023. .

| Tax Year | Operational | | Two Mill Levy | | Debt | Total | |
|----------|-------------|------------|---------------|------------|---------|--------|------------|
| | Resid. | Non-Resid. | Resid. | Non-Resid. | Service | Resid. | Non-Resid. |
| 2009 | 0.496 | 0.500 | 1.988 | 2.000 | 4.950 | 7.434 | 7.450 |
| 2010 | 0.486 | 0.500 | 1.949 | 2.000 | 4.959 | 7.394 | 7.459 |
| 2011 | 0.460 | 0.500 | 2.000 | 2.000 | 4.952 | 7.412 | 7.452 |
| 2012 | 0.467 | 0.500 | 2.000 | 2.000 | 4.936 | 7.403 | 7.436 |
| 2013 | 0.450 | 0.500 | 1.927 | 2.000 | 4.946 | 7.323 | 7.446 |
| 2014 | 0.447 | 0.500 | 1.914 | 2.000 | 4.927 | 7.288 | 7.427 |
| 2015 | 0.452 | 0.500 | 1.940 | 2.000 | 4.949 | 7.341 | 7.449 |
| 2016 | 0.460 | 0.492 | 1.973 | 1.968 | 4.944 | 7.377 | 7.404 |
| 2017 | 0.472 | 0.500 | 2.000 | 2.000 | 4.946 | 7.418 | 7.446 |
| 2018 | 0.476 | 0.500 | 2.000 | 2.000 | 4.941 | 7.417 | 7.441 |

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 (the "Statutory Valuation Cap on Residential Increases"). Annual valuation increases are limited to 3% over

the prior year's valuation or 6.1% over the valuation from two years prior. Subject to certain exceptions, these limitations do not apply:

1. To property that is being valued for the first time;
2. To physical improvements made to the property in the preceding year;
3. When the property is transferred to a person other than a spouse, or a child who occupies the property as his principal residence and who qualifies for the head of household exemption on the property under the Property Tax Code;
4. When a change occurs in the zoning or use of the property; and
5. To property that is subject to the valuation limitations under Section 7-36-21.3 NMSA 1978.
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 has appealed the case to the New Mexico Supreme Court. 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 65 years of age or older or who are disabled. The statute fixes the valuation of the property to the valuation in the year that the owner turned 65 or became disabled. The Section 7-36-21.3 limitation does not apply:

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

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Tax Collections

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 |
|----------|-------------|--------------------------------|--|--|---|---|
| 2018 | 18/19 | \$21,474,678 | \$20,425,433 | 95.11% | \$20,425,433 | 95.11% |
| 2017 | 17/18 | 20,681,340 | 19,926,805 | 96.35% | 20,240,237 | 97.87% |
| 2016 | 16/17 | 20,015,761 | 19,770,449 | 98.77% | 19,899,032 | 99.42% |
| 2015 | 15/16 | 19,151,388 | 18,879,298 | 98.58% | 19,145,020 | 99.97% |
| 2014 | 14/15 | 17,823,815 | 17,585,509 | 98.66% | 17,836,718 | 100.07% |
| 2013 | 13/14 | 17,655,538 | 17,000,241 | 96.29% | 17,645,653 | 99.94% |
| 2012 | 12/13 | 17,391,706 | 16,654,670 | 95.76% | 17,356,200 | 99.80% |
| 2011 | 11/12 | 16,545,052 | 15,908,499 | 96.15% | 16,543,503 | 99.99% |
| 2010 | 10/11 | 15,558,416 | 14,979,539 | 96.28% | 15,620,166 | 100.40% |
| 2009 | 09/10 | 15,037,632 | 14,228,179 | 94.62% | 14,958,973 | 99.48% |

(1) Current collections through June 30 of each year

(2) As of June 30, 2019

Source: Curry 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 1% per month or any fraction of a month.

Penalty for Delinquent Taxes

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

If property taxes become delinquent because of an intent to defraud by the property owner, 50% of the property tax due or 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 is located in east-central New Mexico, bordering the State of Texas. The District encompasses approximately 462 square miles with an estimated population of 40,000. The District operates 11 elementary schools, 1 early education center, 3 middle schools, 1 freshman campus, 1 family center, 1 senior high school, and most recently the District added an Alternative Learning School called iAcademy serving students in grades 2-12.

School District Powers

Pursuant to Chapter 22, Laws 2004 passed in the 2004 legislative session, the District's powers are subject to regulations promulgated by the Secretary of the New Mexico Public Education Department (the "Secretary") with the advice of the Public Education Commission. The Secretary of the Public Education Department ("PED") 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 of the PED, develops educational policies for the District. The Board employs a superintendent of schools, delegates administrative and supervisory functions to the superintendent, including fixing the salaries of all employees, reviews and approves the annual District budget, has the capacity to sue and be sued, contracts, leases, purchases and sells for the District, acquires and disposes of all property, and adopts regulations pertaining to the administration of all powers or duties of the Board. Members serve without compensation for four-year terms of office in non-partisan elections held every two years on the first Tuesday after the first Monday in November. The District Board Members are:

| | |
|---|--|
| Cindy Osburn, President Term expires December 31, 2021 | Shawn Hamilton, Member Term expires December 31, 2019 |
| Kyle Snider, Vice President Term expires December 31, 2021 | Terry Martin, Member Term expires December 31, 2019 |
| Paul Cordova, Secretary Term expire December 31, 2019 | |

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

Renee Russ, Superintendent: Ms. Russ became the Superintendent for Clovis Municipal Schools in 2011. She has been with the District serving as a building Principal for 5 years, Director of Human Resources, Deputy Director of Federal Programs and began as Superintendent on June 1, 2019. Prior to Clovis Municipal Schools, she spent 2 years as a Principal at Albuquerque Public Schools and 15 years at Moriarty/Edgewood Schools as a classroom teacher and instructional coach. She received her Bachelor's Degree in 1988 from Eastern New Mexico University and her Master's Degree in 2007 from NM Highlands University.

Shawna Russell, Deputy Superintendent of Finance and Operations: Ms. Russell was promoted to Deputy Superintendent of Finance and Operations for Clovis Municipal Schools on July 1, 2019, prior to that she served as the Assistant Superintendent of Finance from 2013-2019 and as Supervisor of Accounting Services from 2008-2018. Prior to working with the District, Ms. Russell worked in the finance department at the 9th Judicial District Courts and in the Human Resources/Accounting department at First National Bank. She received her Bachelors of Business Administration from Eastern New Mexico University.

Insurance

The New Mexico Public School Insurance Authority (the "Insurance Authority") which was established to provide a comprehensive insurance program for school districts, board members and retirees and public school employees and retirees with the State. The Insurance Authority provides risk related insurance to the District such as 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.

Intergovernmental Agreements

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

School Property

In addition to the school buildings and their contents, the District owns over 250 acres of land upon which school buildings and facilities are located, approximately 50 acres of additional vacant property, the District Administration Building, a maintenance facility, Student Support Center and transportation facility, an instructional materials warehouse and numerous vehicles and activity buses. The District also contracts buses which are used only to transport students to and from school. The appraised value of all school facilities and equipment is estimated to be over \$150 million.

Currently, the District operates and maintains a variety of facilities in meeting its obligation to provide an educational program for the school-age children residing within its boundaries. In addition to the regular educational program of grades pre-kindergarten through 12, the District offers an alternative high school for students experiencing difficulty in regular high school activities, vocational programs in agriculture, family and consumer science, horticulture, drafting, woodworking and technology. The District offers Special Education Services, Title I remedial education and bilingual education.

Student Enrollment

The 5-year history of student enrollment follows:

| School Year | Enrollment |
|--------------------|-------------------|
| 2014-15 | 8,312 |
| 2015-16 | 8,294 |
| 2016-17 | 8,263 |
| 2017-18 | 8,062 |
| 2018-19 | 7,871 |

Accreditation

The Clovis Municipal Schools, as a whole, is accredited by the New Mexico PED. The District is subject to periodic monitoring by the PED to ensure continued compliance with accreditation standards. The Clovis High School was accredited by AdvancED on November, 2017 for a period of five years. The District is currently working through the accreditation process.

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.

Recent Legislative Action

The New Mexico State Legislature met in regular session in February 2018 to review and pass the FY 18-19 budget. Compared with the previous year, when the governor's veto of virtually all funding for the legislative branch and higher education institutions triggered a lawsuit and a special session, 2018 found an increase in the price of oil and a record-setting year in oil production. This new money provided additional funding for public schools in the amount of \$66.7 million or a 2.6% increase in new money. This increase also allowed for an additional \$10 million to be redirected to the 89 school districts in the state. For Clovis Schools, that meant an increase of \$458,703 in FY 17-18 and an initial increase in FY 18-19 of \$189,107. Transportation and Instructional Materials also saw an increase of \$30,259 and \$39,337 respectively.

Although Gas and Oil prices continue to grow, the district made the decision to build the FY 18-19 budget based on flat revenues to help protect the existing cash balance.

See "LITIGATION" for a discussion of current litigation that could impact the funding of education in the State.

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 by the PED.

- Pursuant to instruction by the PED, the District must submit an operating budget for the next school year to the PED. If the District fails to submit a budget, the PED must prepare a District budget for the ensuing year. Upon written approval of the state superintendent [secretary], the date for the submission of the operating budget may be extended to a later date fixed by the state superintendent (Section 22-8-6).
- Before May 31 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
- Before June 20 of each year, the District must submit a balanced budget to the PED.
- On or before July 1 of each year, the PED must approve and certify an approved operating budget for use by the District Board.

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

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

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

Sources of Revenue for General Fund

The General Fund is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds. The sources of revenue for the District's General Fund are:

Local Revenues - Local revenues are a minor source of revenue to the District composed, in part, by a property tax annually levied on and against all of the taxable property within the District for operational purposes. The levy is limited by State law to a rate of 50 cents for each \$1,000 of net taxable value of taxable property. Other sources of local revenues include interest income earned on the District's investments, rentals and sale of property. In the fiscal year 2018 the District received \$391,194 from local sources.

Federal Revenues - Another minor source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs and P.L. 874 federal impact moneys paid to the District in lieu of taxes on federal land located in the District. In fiscal year 2018, the District received \$323,223 in 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 2018, the District received \$58,348,866 from state sources. Such payments represented approximately 98.2% of actual fiscal year 2018 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 an objective manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The formula is divided into three basic parts:

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

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

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

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

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

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

| Year | Program Unit Factor | Amount |
|-------------|--------------------------------|---------------|
| 2014-2015 | 4,005.75 | 57,103,881 |
| 2015-2016 | 4,027.75 | 58,239,163 |
| 2016-2017 | 3,979.63 | 56,634,122 |
| 2017-2018 | 4,053.55 | 56,428,379 |
| 2018 - 2019 | 4,159.23 | 58,315,778 |

Source: New Mexico Public Education Department.

The New Mexico PED receives federal material leasing funds from which it makes annual allocations to the school district for the purchase of educational materials. In 2018, the District received \$253,420 credit for instructional materials.

The District also receives student transportation distributions. These payments are based upon a formula consisting of the number of students per square mile that are transported. In 2018 the District received \$2,063,396 for transportation purposes.

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Statement of Net Position

The Statement of Net Position is presented below. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Assistant Superintendent for Finance. See financial statements for the fiscal year ending June 30, 2018 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2018 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 NET POSITION

| Year ending June 30 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental Activities | | | | | |
| ASSETS | | | | | |
| Cash, cash equivalents & investments | \$26,219,186 | \$29,863,655 | \$27,806,798 | \$31,020,671 | \$30,450,882 |
| Receivable, property taxes | 2,534,955 | 1,228,648 | 2,140,112 | 2,557,968 | 2,325,621 |
| Inventory | 805,606 | 648,715 | 532,216 | 426,013 | 526,178 |
| Total current assets | 29,559,747 | 31,741,018 | 30,479,126 | 34,004,652 | 33,302,681 |
| Non-current | | | | | |
| Capital assets (net accumulated depreciation) | - | 151,926,201 | 151,396,321 | 153,505,275 | 159,019,483 |
| Land & land improvements | 13,335,416 | - | - | - | - |
| Construction in progress | 2,308,535 | - | - | - | - |
| Buildings & building improvements | 159,248,623 | - | - | - | - |
| Furniture, fixtures & equipment | 19,174,882 | - | - | - | - |
| Less accumulated depreciation | (57,307,278) | - | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| Total non-current capital assets | 166,319,925 | 183,667,219 | 181,875,447 | 187,509,927 | 192,322,164 |
| Deferred Outflows of Resources | | | | | |
| Pension Liability: | | | | | |
| Contributions to pension subsequent to measurement date | - | 5,695,136 | 5,726,329 | 5,575,967 | 5,575,967 |
| Change in assumptions | - | 434,687 | 3,211,284 | - | - |
| Total deferred outflows of resources | - | 6,129,823 | 8,937,613 | 5,575,967 | 5,575,967 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 166,319,925 | \$ 189,797,042 | \$ 190,813,060 | \$ 187,509,927 | \$ 192,322,164 |
| LIABILITIES AND NET POSITION | | | | | |
| Accounts Payable | \$2,158,095 | \$1,999,013 | \$1,448,128 | \$1,116,120 | \$689,430 |
| Accrued payroll liabilities | - | - | - | \$814,675 | \$775,662 |
| Accrued interest | - | 273,777 | 296,309 | 424,903 | 455,726 |
| Compensated absences | - | - | - | 286,328 | 283,828 |
| Due within one year - debt | - | 2,590,000 | 2,665,000 | 2,770,000 | 3,085,000 |
| Total current liabilities | \$ 2,158,095 | \$ 4,862,790 | \$ 4,409,437 | \$ 5,412,026 | \$ 5,289,646 |
| Total deferred inflows of resources | \$ - | \$ 8,825,472 | \$ 2,865,515 | \$ 1,622,191 | \$ 13,110,315 |
| Deferred revenue | 425,334 | - | - | - | - |
| Long-Term Liabilities | | | | | |
| Compensated absences | 231,465 | 19,889 | - | - | - |
| Due within one year-debt | 3,255,338 | - | - | - | 40,315,000 |
| Net Pension Liability | - | 83,415,477 | 93,363,964 | 103,786,965 | 159,028,173 |
| Due in more than one year | 36,434,852 | 38,795,000 | 36,130,000 | 38,400,000 | 43,016,453 |
| Total Liabilities | \$42,505,084 | \$127,093,156 | \$133,903,401 | \$147,598,991 | \$247,649,272 |
| Invested in capital assets, net of related debt | \$97,119,840 | \$110,541,201 | \$112,601,321 | \$112,335,275 | \$115,619,483 |
| Net Position | | | | | |
| Restricted for: | | | | | |
| Debt service | 3,697,602 | 3,207,484 | 3,251,300 | 3,549,313 | 3,901,961 |
| Capital projects | 10,037,850 | 11,715,567 | 9,237,598 | 12,356,962 | 10,914,949 |
| Other | 3,292,190 | 3,806,743 | 4,056,596 | 4,767,321 | 5,142,332 |
| Unrestricted | 9,667,359 | (75,392,581) | (75,102,671) | (80,215,997) | (150,639,070) |
| Total Net Position | \$123,814,841 | \$53,878,414 | \$54,044,144 | \$52,792,874 | (\$15,060,345) |
| TOTAL NET POSITION & LIABILITIES | \$166,319,925 | \$189,797,042 | \$190,813,060 | \$202,014,056 | \$245,699,242 |

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, 2018 is attached as Appendix B.

Statement of Activities

The Statement of Activities is presented below. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Assistant Superintendent for Finance. See financial statements for the fiscal year ending June 30, 2018 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2018 and the last four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit_reports.

| Year ending June 30 | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|-----------------------|-----------------------|----------------------|----------------------|------------------------|
| EXPENSES: | | | | | |
| Governmental activities | | | | | |
| Direct Instruction | (34,787,882) | (36,563,905) | (38,327,824) | (40,536,963) | (61,793,936) |
| Support Services - Students | (5,607,005) | (5,298,540) | (5,670,559) | (4,547,124) | (5,609,513) |
| Support Services - Instruction | (2,424,514) | (3,652,670) | (3,832,887) | (3,422,497) | (1,096,215) |
| Support Services - General Administration | (1,012,558) | (3,954,787) | (3,938,584) | (982,177) | (3,698,271) |
| Support Services - School Administration | (3,959,495) | (1,002,935) | (1,021,947) | (3,746,201) | (1,101,952) |
| Other Support Services | (143,356) | (175,863) | (8,313) | (67,813) | (2,781) |
| Central Services | (1,752,452) | (1,859,309) | (1,931,835) | (2,135,902) | (2,239,104) |
| Operation & Maintenance of Plant | (4,179,196) | 7,591,205 | (6,489,217) | (5,649,945) | 638,964 |
| Student Transportation | - | (7,113) | (81,013) | (10,809) | (18,063) |
| Food Services | 506,086 | (1,373,229) | (1,321,885) | (1,017,740) | (762,343) |
| Community Services | (51,479) | (29,014) | (43,232) | (41,827) | (30,052) |
| Facilities acquisition & construction | - | - | - | - | - |
| Interest on long-term debt | (819,826) | (974,966) | (1,033,255) | (1,118,324) | (1,024,178) |
| Depreciation | (3,994,260) | - | - | - | - |
| Unallocated | - | - | - | - | - |
| Total governmental activities | (\$58,225,937) | (\$47,301,126) | (\$63,700,551) | (\$63,277,322) | (\$76,737,444) |
| REVENUES: | | | | | |
| General revenues | | | | | |
| Property taxes levied for general purposes | 333,699 | 343,076 | 382,613 | 368,745 | 382,315 |
| Property Taxes levied for debt services | 3,526,490 | 3,635,825 | 4,044,804 | 3,869,875 | 3,923,458 |
| Property Taxes levied for capital projects | 1,393,619 | 1,434,373 | 1,601,899 | 1,574,365 | 1,586,709 |
| State equalization guarantee | 55,923,662 | 57,559,253 | 58,499,279 | 56,578,931 | 58,348,866 |
| Unrestricted investment earnings | 15,329 | 45,543 | 109,070 | 118,004 | 125,904 |
| Loss on disposal of capital assets | - | (132,562) | (939,717) | (523,465) | (4,490,123) |
| Gain on sale of fixed assets | 133,457 | - | - | - | - |
| Miscellaneous Income | 55,334 | 359,562 | 168,333 | 39,597 | 103,793 |
| Change in estimate | - | - | - | - | - |
| Total general revenues | <u>61,381,590</u> | <u>63,245,070</u> | <u>63,866,281</u> | <u>62,026,052</u> | <u>59,980,922</u> |
| Changes in net assets | 3,155,653 | 15,943,944 | 165,730 | (1,251,270) | (16,756,522) |
| Net assets, beginning | <u>\$ 120,659,188</u> | <u>\$ 123,814,841</u> | <u>\$ 53,878,414</u> | <u>\$ 54,044,144</u> | <u>\$ 52,792,874</u> |
| Adoption of new accounting standard (note 17) | - | - | - | - | <u>\$ (51,096,697)</u> |
| Prior period restatement | - | (85,880,371) * | - | - | 1,696,177 |
| Net position, beginning of year, as restated | - | 37,934,470 | - | - | - |
| Net assets, ending | <u>\$ 123,814,841</u> | <u>\$ 53,878,414</u> | <u>\$ 54,044,144</u> | <u>\$ 52,792,874</u> | <u>\$ (15,060,345)</u> |

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete.

A portion of the independent audit report for the year ended June 30, 2018 is attached as Appendix B.

* During the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and the related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date an Amendment of GASB Statement No. 68 by recognizing its net pension liability related to its pension plan. See "Employee Retirement Plan and Other Post-Employment Benefits" herein.

Balance Sheet – General Fund

The Balance Sheet is presented below. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Assistant Superintendent for Finance. See financial statements for the fiscal year ending June 30, 2018 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2018 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⁾

| Year Ending June 30 | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Assets: | | | | | |
| Cash & investments | \$8,774,039 | \$10,243,138 | \$10,866,169 | \$8,404,163 | \$9,198,693 |
| Property Taxes | 18,162 | 18,288 | 37,343 | 36,006 | 25,404 |
| Interfund Receivables | | | | 1,872,309 | 1,851,927 |
| Due from Other Funds | 1,107,248 | 842,855 | 1,472,829 | | |
| Due from Other Governments | - | 5,453 | - | 16,238 | |
| Inventory | <u>419,626</u> | <u>396,047</u> | <u>274,970</u> | <u>256,563</u> | <u>274,934</u> |
| TOTAL | \$10,319,075 | \$11,505,781 | \$12,651,311 | \$10,585,279 | \$11,350,958 |
| Liabilities: | | | | | |
| Accounts Payable | 42,646 | 104,952 | 19,615 | 138,252 | 105,756 |
| Accrued Liabilities | 874,844 | 813,205 | 844,723 | 814,675 | 775,662 |
| Delinquent property taxes | 10,969 | 11,578 | 29,969 | | |
| Deferred Revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,776</u> | <u>13,897</u> |
| TOTAL | 928,459 | 929,735 | 894,307 | 975,703 | 895,315 |
| Fund Equity: | | | | | |
| Reserved for inventory | 419,626 | 396,047 | 274,970 | 256,563 | 274,934 |
| Reserved for unused textbook credit | - | - | 750,119 | - | - |
| Restricted | - | 1,085,732 | - | - | - |
| Designated for subsequent year expenses | 798,425 | - | | | |
| Undesignated | <u>8,172,565</u> | <u>9,094,267</u> | <u>10,731,915</u> | <u>9,353,013</u> | <u>10,180,709</u> |
| TOTAL | 9,390,616 | 10,576,046 | 11,757,004 | 9,609,576 | 10,455,643 |
| Total Liabilities and Fund Equity | \$10,319,075 | \$11,505,781 | \$12,651,311 | \$10,585,279 | \$11,350,958 |

(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, 2018 is attached as Appendix B.

Statement of Revenues, Expenditures & Changes in Fund Balances

The Statement of Revenues, Expenditures & Changes in Fund Balances is presented below. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Assistant Superintendent for Finance. See financial statements for the fiscal year ending June 30, 2018 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2018 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⁾

| Year Ending June 30 | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|--------------------|---------------------|---------------------|--------------------|---------------------|
| Revenues: | | | | | |
| Local Sources | \$329,256 | \$338,040 | \$352,644 | \$375,938 | \$391,194 |
| State Sources | 57,697,345 | 59,485,574 | 60,947,097 | 56,578,931 | 58,348,866 |
| Federal Sources | 280,043 | 287,993 | 269,134 | 234,298 | 323,223 |
| Miscellaneous | 188,791 | 191,646 | 338,779 | 151,659 | 233,427 |
| Interest | <u>9,128</u> | <u>33,905</u> | <u>8,250</u> | <u>97,944</u> | <u>98,815</u> |
| <i>Total</i> | \$58,504,563 | \$60,337,158 | \$59,467,217 | \$57,438,770 | \$59,395,525 |
| Expenditures: | | | | | |
| Instruction | \$36,056,990 | \$36,650,368 | \$36,424,681 | \$36,223,810 | \$37,094,267 |
| Support Services - Students | 6,070,076 | 5,966,387 | 6,147,950 | 5,020,791 | 5,966,409 |
| Support Services - Instruction | 1,985,168 | 1,476,284 | 1,932,039 | 1,917,767 | 1,789,037 |
| Support Services - General Administration | 630,031 | 619,400 | 628,142 | 598,981 | 734,593 |
| Support Services - School Administration | 3,582,722 | 3,636,171 | 3,685,563 | 3,501,471 | 3,406,765 |
| Central Services | 1,645,269 | 1,737,745 | 1,809,054 | 2,037,166 | 2,048,879 |
| Operation & Maintenance of Plant | 7,207,139 | 7,546,061 | 7,313,719 | 8,418,593 | 7,442,680 |
| Student Transportation | 1,276,617 | 1,342,104 | 2,188 | - | - |
| Other Support Services | 143,355 | 175,536 | 7,310 | 8,313 | 2,781 |
| Capital Outlay | - | - | - | 1,109,187 | 64,047 |
| Debt Service | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total</i> | \$58,597,367 | \$59,150,056 | \$57,950,646 | \$58,836,079 | \$58,549,458 |
| Excess revenues over expenditures | (\$92,804) | \$1,187,102 | \$1,516,571 | (\$1,397,309) | \$846,067 |
| Fund Balance Beginning of Year | 9,233,420 | 9,390,616 | 9,490,314 | 11,006,885 | 9,609,576 |
| Transfers/Refunds/Adjustments | <u>250,000</u> | <u>(1,672)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance at End of Year | \$9,390,616 | \$10,576,046 | \$11,006,885 | \$9,609,576 | \$10,455,643 |

(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, 2018 is attached as Appendix B.

Other Funds Maintained by the District

Special Revenue Funds

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

Debt Service Funds

Debt service funds are used to account for the services of long-term debt not being financed by proprietary or nonexpendable trust funds.

Capital Projects Funds

Capital projects funds are used to account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Agency Funds

Agency Funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District hold for others in an agency capacity.

Employee and Retirement Plan and Other Post Employment Benefits

The District employs 39 administrators, approximately 559 teachers, 60 related service providers, 159 educational assistants, 11 technology personnel, 81 administrative and clerical personnel, 90 maintenance and custodial personnel, and 63 cafeteria employees.

In addition to the following discussion, Notes 11 and 12 of the District's June 30, 2018 Audited Financial Statements attached hereto as Appendix B provides additional information regarding the District's pension and other post-employment benefit plans.

ERB Pension Plan:

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

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 New Mexico legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$10,139,931 and \$9,732,906, respectively, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities:

At June 30, 2018, the District reported a liability of \$159,028,173 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the ERB Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. The District's

proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 1.43095%, which was a decrease of 0.01125% from its proportion measured at June 30, 2016. For the year ended June 30, 2018, the District recognized pension expense of \$24,798,965.

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which addresses accounting and financial reporting for pensions that are provided to employees of state and local government employers through pension plans that are administered through trusts and also establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. According to Statement No. 68, the School District, as a contributor to ERB, is required to recognize its proportionate share of the collective net pension liability, pension expense, and deferred inflows or outflows of resources of the cost-sharing, multi-employer plan with ERB.

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

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

Pension Plan Statistics

Following is a 5-year history of employer and employee contributions statewide, and average asset balance of the fund:

| Fiscal Year Ending June 30 | Employer Contributions | Employee Contributions | Net Assets Held in Trust |
|---------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|
| 2014 | 362,462,537 | 268,693,991 | 11,442,171,449 |
| 2015 | 395,129,621 | 294,560,840 | 11,642,543,051 |
| 2016 | 396,988,557 | 295,946,396 | 11,755,860,387 |
| 2017 | 395,843,795 | 292,809,008 | 12,509,355,910 |
| 2018 | 388,723,983 | 287,323,804 | 12,970,300,855 |

Source: New Mexico Educational Retirement Board, Financial Report

Post Employment Benefits

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report can be obtained by writing to RHCA, 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

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

The Retiree Health Care Act (NMSA 1978, Section 10-7C-15) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to NMSA 1978, Section 10-7C-15(G), at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to NMSA 1978, Section 7-1-6.1, and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$836,050, \$814,998, and \$873,672 respectively, which equal the required contributions for each year.

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TAX EXEMPTION

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the Bonds is excluded from gross income under present federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Tax Code") and interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code under present federal income tax laws except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations. Bond Counsel is further of the opinion that, assuming continuous compliance with certain covenants, interest on the Bonds is exempt from taxation by the State of New Mexico or any subdivision thereof. Bond Counsel expresses no opinion regarding other federal income tax consequences relating to the accrual or receipt of interest on the Bonds. A form of the opinion of Bond Counsel is attached to this Official Statement as Appendix C.

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.

FINANCIAL INSTITUTION INTEREST DEDUCTION

The Tax Code generally provides that a financial institution may not deduct that portion of its interest expense which is allocable to tax-exempt interest. The interest expense which is allocable to tax-exempt interest is an amount which bears the same ratio to the institution's interest expense as the institution's average adjusted basis of tax-exempt obligations acquired after August 7, 1986 bears to the average adjusted basis of all assets of the institution. Tax exempt obligations may be treated as if issued prior to August 7, 1986 (and therefore are not subject to this rule) if they are "qualified tax-exempt obligations" as defined in the Code and are designated for this purpose by the issuer. The District has designated the Bonds as "qualified tax-exempt obligations" for this purpose; however, under provisions of the Code dealing with financial institution preference items, certain financial institutions, including banks, are denied 20 percent of their otherwise allowable deduction for interest expense with respect to obligations incurred or continued to purchase or carry the Bonds. In general, interest expense with respect to obligations incurred or continued to purchase or carry the Bonds will be in an amount which bears the same ratio as the institution's average adjusted basis in the Bonds bears to the average adjusted basis of all assets of the institution.

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 or 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

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

RATING

Moody's Investors Service has assigned the Bonds a rating of "___" with the understanding that the Bonds will qualify under the New Mexico School District Enhancement Program. See "New Mexico School District Enhancement Program" herein. The underlying rating on the Bonds is "___". 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 Bond.

THE FINANCIAL ADVISOR

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

LEGAL MATTERS

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

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 United States Securities and Exchange Commission, the District has undertaken to provide to the Municipal Securities Rulemaking Board (the “MSRB”) MSRB’s Electronic Municipal Market Access (“EMMA”), its audited financial statements and certain financial and operating information and notices of certain enumerated events. The District will provide financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DEBT AND OTHER FINANCIAL OBLIGATIONS,” “TAX BASE,” “THE DISTRICT – Student Enrollment,” “FINANCES OF THE EDUCATIONAL PROGRAM-State Equalization Guarantee,” “Statement of Net Position,” “Statement of Activities,” “Balance Sheet-General Fund” and “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, 2020, for the fiscal year ending on the preceding June 30. A draft of the Continuing Disclosure Undertaking is attached hereto as Appendix E.

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

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

Event Notices

The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: 1) principal and interest payment delinquency; 2) non-payment related default, if material; 3) unscheduled draw on debt service reserves reflecting financial difficulties; 4) unscheduled draw on credit enhancements reflecting financial difficulties; 5) substitution of credit or liquidity provider, or their failure to perform; 6) adverse tax opinion, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notice or determination with respect to the tax status of the security, or other material events affecting the tax status of the security; 7) modification to rights of security holders, if material; 8) bond calls; 9) defeasances; 10) release, substitution or sale of property securing repayment of the security, if material; 11) rating change; 12) failure to provide event filing information as required; 13) tender offer/secondary market purchases; 14) merger, consolidation or acquisition and sale of all or substantially all assets; 15) bankruptcy, insolvency, receivership or similar event with respect to the District or an obligated person; 16) appointment of a successor or additional trustee, or the change of name of a trustee, if material; 17) Incurrence of a financial obligation* of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material ⁽¹⁾; and 18) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties. ⁽¹⁾

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

Limitations and Amendments

The District may amend its undertaking from time to time without consent of the Bondholders, if the District delivers to EMMA an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, 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.

Compliance with Prior Undertakings

For the past five years, the District has complied in all material respects with its existing continuing disclosure agreements in accordance with SEC Rule 15c2-12. The District has retained an independent dissemination agent to assist in meeting its disclosure requirements.

* The term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final Official Statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

⁽¹⁾ Rule 152c-12 Compliance will be effective as of February 27, 2019. Amendments to Rule 15c2-12 are now published in the Federal Register as of August 31, 2018.

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

General

Clovis Municipal School District No. 1 (2010 est. population 40,000) is located on the High Plains in eastern New Mexico. The stable economy is not dependent on any single industry for support. Agriculture is important to the District as well as transportation, defense, manufacturing, retail trade and government.

The climate is quite delightful. Outdoor activities may be enjoyed during all seasons of the year. The annual average temperature is 62 degrees with an average humidity of 58% year round. The region averages 335 days of sunshine and about 17 1/2 inches of rainfall per year.

Transportation is provided through a modern highway system which includes US Highways 60, 70 and 84 and New Mexico Highways 18, 423 and 77. The Atchison, Topeka and Santa Fe railway also operates a major switching facility at its Clovis railroad yard. Air transportation is also available through the Clovis Municipal Airport where Mesa Air operates daily flights to and from Albuquerque, New Mexico.

The City of Clovis "Cattle Capitol of the Southwest" is the County Seat of Curry County. Founded in 1907 and incorporated in 1909, the City operates under a home rule charter adopted in 1971. Eight commissioners, two each from four Districts, are elected for four year staggered terms, at a non-partisan election every two years. The Mayor is elected at large for a four-year term. The City Commission appoints a City Manager who acts as Chief Administrative Officer of the City.

Located at an elevation of approximately 4,280 feet, the City is approximately 105 miles from Amarillo, Texas; 100 miles from Lubbock, Texas; and 220 miles from Albuquerque, New Mexico. Clovis is the largest city in the region and the retail trade headquarters with an economic base of over \$500 million annually.

Curry County, New Mexico was created in 1909 by the New Mexico legislature. The County operates under a commissioner form of government and provides the following services: public safety, county road maintenance, recreation, education, public facility improvements and general administrative services. The County encompasses 1,404 square miles and includes the incorporated communities of Clovis, Grady, Melrose and Texico.

Cannon Air Force Base, is named in honor of General John K. Cannon, a former commander of the Tactical Air Command and is located six miles west of Clovis and is 4,295 feet above sea level. The history of the base began in the late 1920s, when a civilian passenger facility, Portair Field, was established on the site.

Since then until present time, Cannon has had a rich history of different missions.

On May 13, 2005, Cannon AFB was placed on the DoD BRAC list for closure. A BRAC Commission public hearing was held in an effort to get Cannon AFB off the list.

On August 26, 2005, the BRAC recommended that Cannon AFB be placed in an enclave status until Dec.31, 2009. Finding a new mission for Cannon was a top priority for the Air Force. Local and public officials worked diligently to insure Cannon's assets were fully utilized.

On October 1, 2007, a new era began at Cannon AFB as the new Special Operations Wing ("SOW") activated as the 27th SOW, a new component of Air Force Special Operations Command ("AFSOC").

On June 18, 2010, the CV-22 Osprey made its official arrival to Cannon AFB. A total of 15 Ospreys are planned for Cannon AFB. The CV-22 Osprey is a tiltrotor aircraft that combines the vertical takeoff, hover and vertical landing qualities of a helicopter with the long-range, fuel efficiency and speed characteristics of a turboprop aircraft. Its mission is to conduct long-range infiltration, exfiltration and resupply missions for special operations forces.

Currently, 4,665 active-duty members, 3,524 family members and 457 permanent party contractors and 5,973 retirees make up the work force at Cannon Air Force Base.

Clovis and Cannon have an enviable base/town relationship. The Committee of Fifty is part of the Clovis/Curry County of Chamber and is a group of people that have a world-renowned reputation for their support of Cannon AFB personnel and their families. They, along with the whole community of Clovis look forward to welcoming the 27th Special Operations Wing, their personnel and their families.

Education

Clovis Community College is a two-year comprehensive community college established in 1991. The College offers a variety of academic and vocational instructional programs; student services; community services; developmental education; and social, recreational and cultural enrichment. The current student population is over 4,200.

Eastern New Mexico University is located 18 miles from Clovis in Portales, New Mexico. It is a fully accredited co-educational university offering undergraduate, graduate and professional degree-granting programs. The University, a land grant institution of the State of New Mexico, which was founded in 1927, maintains educational facilities on a main campus and has one branch campuses. The Portales campus has an enrollment of over 6,015 students.

Agriculture

The District is situated in the center of an extensive farming and ranching region. Wheat, sorghum, corn, sugar beets, alfalfa, barley, soybeans and potatoes grow well in the region's many dry land farms. Dairy cattle are present in the area, making dairy production another major contributor to the local economy. In 2017, Curry County accounted for 18.76% of cash receipts for all farm commodities within the State of New Mexico, making it the largest agricultural center in the State.

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Population

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

| US Census Year | City of Clovis | Curry County | State of New Mexico |
|---|----------------|--------------|---------------------|
| 1970 | 28,495 | 39,517 | 1,017,055 |
| 1980 | 31,194 | 42,019 | 1,303,143 |
| 1990 | 30,954 | 42,207 | 1,519,933 |
| 2000 | 31,977 | 45,044 | 1,821,078 |
| 2010 | 37,775 | 48,376 | 2,112,957 |
| 2018* | 39,420 | 50,264 | 2,081,363 |
| 2019 ⁽¹⁾ | 39,157 | 49,604 | 2,091,198 |
| 2024 ⁽²⁾ | 39,371 | 49,819 | 2,110,284 |
| <i>Projected Growth 2019-2024⁽²⁾</i> | -0.12% | -0.89% | 1.37% |

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

1) Estimates. Source: Spotlight, 2019.

2) Projected. Source: Spotlight, 2019.

Age Distribution

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

| Age Group | Percent of Population | | |
|--------------|-----------------------|------------|---------------|
| | Curry County | New Mexico | United States |
| 0 - 17 | 26.8% | 23.90% | 22.80% |
| 18 - 24 | 11.8% | 9.80% | 9.80% |
| 25 - 34 | 17.0% | 13.30% | 13.40% |
| 35 - 44 | 12.1% | 11.87% | 12.60% |
| 45 - 54 | 9.8% | 11.90% | 13.10% |
| 55 and Older | 22.6% | 29.23% | 28.30% |

Source: Spotlight, 2019.

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 Spotlight. EBI is personal income less personal tax and non-tax payments. Personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance.

| Effective Buying Income Group | Curry County | New Mexico | United States |
|-----------------------------------|--------------|------------|---------------|
| Under \$25,000 | 28.34% | 26.42% | 20.37% |
| \$25,000 - \$34,999 | 11.83% | 10.23% | 9.21% |
| \$35,000 - \$49,999 | 15.70% | 13.64% | 12.87% |
| \$50,000 - \$74,999 | 17.84% | 17.13% | 17.09% |
| \$75,000 and over | 26.30% | 32.58% | 40.46% |
| 2015 Est. Median Household Income | \$44,102 | \$45,633 | \$53,706 |
| 2016 Est. Median Household Income | \$43,183 | \$45,445 | \$55,551 |
| 2017 Est. Median Household Income | \$43,262 | \$47,043 | \$57,462 |
| 2018 Est. Median Household Income | \$42,862 | \$48,044 | \$60,133 |
| 2019 Est. Median Household Income | \$44,025 | \$49,654 | \$60,336 |

Source: Spotlight, 2019

Gross Receipts

The following table shows the total reported gross receipts generated in the City of Clovis, Curry County and the State of New Mexico. For the purposes of this table, gross receipts means the total amount of money received from selling property in the State of New Mexico, from leasing property in the State and from performing services in the State. Gross receipts includes, among other things, food sales and services such as legal and medical services.

| FYE 6/30 | Total Gross Receipts Reported in City of Clovis | Total Gross Receipts Reported in Curry County | Total Gross Receipts Reported in New Mexico |
|----------|---|---|---|
| 2009 | 1,110,592,820 | 1,470,698,703 | 104,562,006,074 |
| 2010 | 1,071,410,263 | 1,391,491,727 | 94,722,576,401 |
| 2011 | 1,213,573,081 | 1,726,857,298 | 102,715,750,442 |
| 2012 | 1,328,667,915 | 2,418,965,409 | 104,221,140,556 |
| 2013 | 1,274,301,464 | 2,504,997,335 | 106,300,014,072 |
| 2014 | 1,274,689,564 | 2,564,604,365 | 107,584,699,939 |
| 2015 | 1,450,654,310 | 2,610,389,667 | 119,726,977,705 |
| 2016 | 1,444,748,247 | 2,932,108,254 | 97,151,637,471 |
| 2017 | 939,466,752 | 2,143,692,063 | 110,710,199,751 |
| 2018 | 1,013,063,589 | 2,105,005,510 | 114,662,938,781 |

Source: NM Taxation & Revenue Department

Employment & Major Employers

The following table, derived from information supplied by New Mexico Workforce Solutions, presents information on employment within Curry 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⁾ | Curry County | | State of New Mexico | | United States |
|---------------------|--------------|--------------|---------------------|--------------|---------------|
| | Labor Force | % Unemployed | Labor Force | % Unemployed | % Unemployed |
| 2019 ⁽²⁾ | 21,747 | 4.80% | 970,597 | 5.50% | 4.10% |
| 2018 | 22,276 | 4.30% | 934,178 | 5.80% | 4.40% |
| 2017 | 21,850 | 5.13% | 929,567 | 6.20% | 4.40% |
| 2016 | 21,865 | 4.30% | 928,732 | 6.70% | 4.90% |
| 2015 | 21,751 | 4.90% | 927,999 | 6.50% | 5.30% |
| 2014 | 21,678 | 5.10% | 927,142 | 6.70% | 6.20% |
| 2013 | 21,450 | 5.10% | 923,899 | 6.90% | 7.40% |
| 2012 | 21,722 | 4.90% | 927,795 | 7.10% | 8.10% |
| 2011 | 21,546 | 5.10% | 930,356 | 7.50% | 8.90% |
| 2010 | 21,579 | 5.40% | 936,088 | 8.10% | 9.60% |

(1) Numbers are annual averages.

(2) Data for the month of June 2019. Numbers are Preliminary.

Source: U.S. Bureau of Labor Statistics, August 2019.

| Major Employers - Curry County | |
|--|-------|
| Cannon AFB Active Duty, Contractors & Civilian Personnel | 9,800 |
| Allsup's Convenience Stores | 2,800 |
| Clovis Municipal Schools | 1,300 |
| Community Homecare | 720 |
| Plains Regional Medical Center | 580 |
| Burlington Northern Santa Fe Railway | 460 |
| Eastern New Mexico University | 450 |
| Wal Mart Store #821 | 410 |
| City of Clovis | 410 |
| Southwest Cheese, LLC | 377 |

Source: Clovis Industrial Development Corporation, July 2019

Covered Wage and Salary Employment by NAICS Code Classification

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

| | 2015 | 2016 | 2017 | 2018 | 2019 ⁽¹⁾ |
|--|---------------|---------------|---------------|---------------|---------------------|
| Grand Total | 17,375 | 17,050 | 17,210 | 16,890 | 16,935 |
| Total Private | 13,965 | 13,755 | 14,054 | 13,610 | 13,560 |
| Accommodation and Food Services | 1,743 | 1,747 | 1,846 | 1,782 | 1,968 |
| Administrative and Waste Services | 526 | 426 | 517 | 498 | 523 |
| Agriculture, Forestry, Fishing & Hunting | 1,531 | 1,465 | 1,451 | 1,478 | 1,474 |
| Arts, Entertainment, and Recreation | 44 | 53 | 88 | 156 | 150 |
| Construction | 802 | 846 | 869 | 788 | 758 |
| Educational Services | 16 | 15 | 19 | 1,738 | 1,688 |
| Finance and Insurance | 433 | 438 | 414 | 406 | 408 |
| Health Care and Social Assistance | 2,930 | 2,881 | 2,927 | 3,102 | 3,094 |
| Information | 116 | 109 | 104 | 114 | 112 |
| Management of Companies and Enterprises | * | * | * | 398 | 388 |
| Manufacturing | 687 | 666 | 669 | 741 | 726 |
| Mining | * | * | * | 10 | 15 |
| Other Services, Ex. Public Admin | 503 | 526 | 503 | 479 | 476 |
| Professional and Technical Services | 412 | 422 | 407 | 418 | 424 |
| Real Estate and Rental and Leasing | 202 | 211 | 220 | 201 | 200 |
| Retail Trade | 2,294 | 2,252 | 2,185 | 2,292 | 2,228 |
| Transportation and Warehousing | 603 | 621 | 571 | 616 | 620 |
| Utilities | 99 | 98 | 117 | 144 | 145 |
| Wholesale Trade | 490 | 478 | 483 | 502 | 499 |
| Total Government | 3,411 | 3,292 | 3,253 | 3,432 | 3,375 |

(1) Data as of First Quarter of 2019.

* 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, 2018



**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
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CLOVIS MUNICIPAL SCHOOLS
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**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
OFFICIAL ROSTER
JUNE 30, 2018**

Board of Education

| <u>Name</u> | <u>Title</u> |
|--------------------|---------------------|
| Terry Martin | President |
| Cindy Osburn | Vice - President |
| Kyle Snider | Secretary |
| Shawn Hamilton | Member |
| Paul Cordova | Member |

School Officials

| | |
|------------------|---|
| Jody Balch | Superintendent |
| Joe Strickland | Deputy Superintendent of Instruction |
| Carrie Bunce | Deputy Superintendent of Operations |
| Dr. Kerry Parker | Assistant Superintendent of Human Resources |
| Shawna Russell | Assistant Superintendent of Finance |

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Board of Education
Clovis Municipal Schools
Clovis, New Mexico and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

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 the major special revenue funds of the Clovis Municipal Schools (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility 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.

The Board of Education
Clovis Municipal Schools and
Mr. Wayne Johnson
New Mexico State Auditor

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, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 13 and the Schedule of the District's Proportionate Share of Net Pension Liability, the Schedule of the District's ERB Pension Contributions, the Schedule of the District's Proportionate Share of Net OPEB Liability, and the Schedule of the District's OPEB Plan Contributions on pages 65 to 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information as required by the New Mexico State Audit Rule (NMAC 2.2.2) 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 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

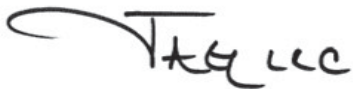
The combining and individual nonmajor fund financial statements, other supplementary information required by NMAC 2.2.2, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used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

The Board of Education
Clovis Municipal Schools and
Mr. Wayne Johnson
New Mexico State Auditor

ments or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, other supplementary information required by NMAC 2.2.2, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "JAG LLC". The signature is stylized with a large, sweeping initial letter.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 25, 2018

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

Introduction

This discussion and analysis of Clovis Municipal School District's (District) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the financial performance of the District as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

- The liabilities of the District exceeded its assets at the end of the fiscal year by \$55,327,111. Liabilities are greater than Assets because of the effects of GASB 68 – Unfunded Pension Liability and GASB 75 – Other Post Employment Benefit (OPEB) Liability. More information on the Implementation of GASB 68 and 75 can be found later in this discussion. Had we not been required to report these liabilities, the assets of the District would exceed its liabilities by \$146,717,515. Of this amount \$115,619,483 is invested in capital assets, \$19,959,242 is restricted for capital projects, debt service purposes, and special revenue funds and (\$150,639,070) is unrestricted.
- The District's total net position decreased by \$67,853,219 due primarily to the effects of GASB 68 and 75. Had they not been recorded, the net position would have shown an increase of \$449,760.
- The District's liabilities increased by \$100,050,281 in fiscal year 2018 primarily because of an increase in the net pension and OPEB liabilities of \$98,257,661
- At June 30, 2018, the fund balance for the general fund was \$10,455,643, which reflects an increase of \$846,067.
- The District's General Obligation Bond debt balance is \$43,400,000, which reflects an overall \$2,230,000 increase due to the issuance of new bonds with the majority of principal payments occurring in later years. Voters authorized new bonds for \$20,000,000 in an election on February 8, 2017, which allows the District to issue this new debt over a four-year period beginning with the fiscal year ending 2018. The final debt issue will be sold in the fall of 2021. During the same time, the District will begin working on a new bond sale to be voted on in a Special Election in February 2021.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

The District's Condensed Statement of Net Position at June 30 is as follows:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------------------|-----------------------------|
| Current Assets | \$ 33,302,678 | \$ 34,004,652 |
| Non-Current Assets | <u>159,019,483</u> | <u>153,505,275</u> |
| Total assets | <u>192,322,161</u> | <u>187,509,927</u> |
| | | |
| Deferred Outflow of Resources | <u>53,377,081</u> | <u>14,504,129</u> |
| | | |
| Current Liabilities | 5,289,646 | 5,412,026 |
| Long-Term Liabilities Other than Pension | 40,315,000 | 38,400,000 |
| Net Pension and OPEB Liability | <u>43,016,453</u> | <u>103,786,965</u> |
| Total liabilities | <u>88,621,099</u> | <u>147,598,991</u> |
| | | |
| Deferred Inflow of Resources | <u>13,110,315</u> | <u>1,622,191</u> |
| | | |
| Net Investment in Capital Assets | 115,619,483 | 112,335,275 |
| Restricted | 19,959,242 | 20,673,596 |
| Unrestricted (deficit) | <u>(150,639,070)</u> | <u>(80,215,997)</u> |
| Total net position (deficit) | <u>\$ (15,060,345)</u> | <u>\$ 52,792,874</u> |

At June 30, 2018, ending net position was \$(15,060,345) and at June 30, 2017, ending net position was \$52,792,874 for a decrease of \$67,853,219.

The decrease in net position was a result of the increase in Total Assets and Deferred Outflow of Resources Offset by an increase in Total Liabilities and a decrease in Deferred Inflow of Resources, a requirement of GASB 68 and 75. Further review of the effects of GASB 68 and 75 can be found later in this discussion. For further information, please see the GASB breakdown in Notes 10 and 11 of the Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

The District's Condensed Statement of Activities for the years ended June 30 is as follows:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------------------|-----------------------------|
| REVENUES | | |
| Charges for services | \$ 349,847 | \$ 357,104 |
| Operating grants/contributions | 13,770,654 | 13,955,563 |
| Capital grants/contributions | 8,387,964 | 3,133,016 |
| Local property taxes | 5,892,482 | 5,812,985 |
| State aid | 58,348,866 | 56,578,931 |
| Interest income | 125,904 | 118,004 |
| Other | <u>(4,386,330)</u> | <u>(483,868)</u> |
| Total revenues | <u>82,489,387</u> | <u>79,471,735</u> |
| EXPENDITURES | | |
| Direct instruction | 65,302,764 | 44,317,506 |
| Support services | 15,766,986 | 16,996,469 |
| Central services | 2,239,104 | 2,135,902 |
| Operation & maintenance of plant | 7,749,000 | 8,782,961 |
| Student transportation | 2,081,459 | 1,795,513 |
| Operation of non-support services | 5,082,418 | 5,576,330 |
| Interest on long-term debt | <u>1,024,178</u> | <u>1,118,324</u> |
| Total expenditures | <u>99,245,909</u> | <u>80,723,005</u> |
| Changes in net position | <u>(16,756,522)</u> | <u>(1,251,270)</u> |
| Net position, beginning of year | 52,792,874 | 54,044,144 |
| Prior period restatement | <u>(51,096,697)</u> | <u>-</u> |
| Net position, beginning of year, as restated | <u>1,696,177</u> | <u>54,044,144</u> |
| Net position (deficit), end of year | <u>\$ (15,060,345)</u> | <u>\$ 52,792,874</u> |

Overview of Financial Statements

The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to that of a private sector business.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both *the statement of net position* and *the statement of activities* distinguish functions of District that are primarily supported by property taxes and state revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through fees and charges. The governmental activities of the district include education, pupil transportation, food service, instructional materials allocations, and community service. The District does not have any business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Government Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

The District maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the government funds statement of revenues, expenditures, and changes in fund balance for the following funds:

- General Operational Fund
- Transportation Fund
- Instructional Materials Fund
- Food Service Fund
- Title I
- IDEA-B Entitlement
- Bond Building Fund
- Capital Improvements – SB9 (Local) Fund
- Debt Service Fund
- Other Governmental Funds

The first nine funds are considered major funds. Individual fund data for each of the funds included in the Other Governmental Funds, which are considered to be non-major funds, is provided in the form of combining statements following the notes to the financial statements. The District adopts an annual appropriated budget for each of its funds. Budgetary comparative statements have been provided for the major funds to demonstrate compliance with the budgets.

Fiduciary Funds

Fiduciary Funds are used to account for resources held in trust for the benefit of parties outside the District. Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net assets. These funds are not reported in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Overview of Clovis Municipal School's Financial Position and Operations

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. A portion, \$159,019,483, of the District's net position is invested in capital assets (e.g., land, land improvements, buildings and building improvements, and furniture, fixtures, and equipment), less any related debt used to acquire those assets that is still outstanding. The Net Investment in Capital Assets increased by \$3,284,208, primarily because of the cost of completed building and building projects and adjusted by depreciation expense and changes in debt associated with buildings. The District uses these capital assets to provide educational services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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CLOVIS MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

On July 1, 2014, the District implemented GASB 68. GASB 68 required the District to record the net unfunded pension liability of the District's entire participant group (current and former employees) in the State's educational retirement system on the District's financial statements (Statement of Net Position). The table below presents the effect of the pension liability in the Statement of Net Position at June 30:

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------------|-------------------------------|
| Pension liability | \$ (159,028,173) | \$ (103,786,965) |
| Deferred inflows related to pension liability | (3,319,872) | (1,622,191) |
| Deferred outflows related to the pension liability | <u>52,541,031</u> | <u>14,504,129</u> |
| Total net position (deficit) related to pension liability | <u>\$ (109,807,014)</u> | <u>\$ (90,905,027)</u> |

On July 1, 2017, the District implemented GASB 75. GASB 75 required the District to record the net unfunded other post-employment benefit (OPEB) liability of the District's entire participant group (current and former employees) in the State's educational retiree health system on the District's financial statements (Statement of Net Position). The table below presents the effect of the OPEB liability in the Statement of Net Position at June 30:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------------------|-------------------------------|
| | | (as restated) |
| OPEB liability | \$ (43,016,453) | \$ (51,911,703) |
| Deferred inflows related to OPEB liability | (9,790,443) | - |
| Deferred outflows related to the OPEB liability | <u>836,050</u> | <u>815,006</u> |
| Total net position (deficit) related to OPEB liability | <u>\$ (51,970,846)</u> | <u>\$ (51,096,697)</u> |

Neither GASB 68 nor GASB 75 allow for the components of the unrestricted net position to be presented separately in the financial statements; however, for the purposes of management's discussion and analysis, we present the following information for the readers of these financial statements:

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------------|-------------------------------|
| | | (as restated) |
| Unrestricted (deficit) net position - pension and OPEB obligations | \$ (161,777,860) | \$ (90,905,027) |
| Unrestricted net position - other | <u>11,138,790</u> | <u>10,689,030</u> |
| Total unrestricted (deficit) net position | <u>\$ (150,639,070)</u> | <u>\$ (80,215,997)</u> |

Changes in the pension and OPEB liabilities during the year ended June 30, 2018 resulted **in an additional** pension and OPEB expense of \$24,798,965 in the Statement of Activities.

Additionally, for comparative analysis, if the effects of GASB 68 or GASB 75 were not recorded in the District's financial statements, the District's unrestricted net position would have increased from \$10,689,030 at June 30, 2017 to \$11,138,790 at June 30, 2018.

All other portions of net position are restricted for the stated purpose. Current and other assets decreased by \$701,974. This decrease was primarily due to a decrease in restricted cash in the Bond Building and Capital Improvement Funds.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

The District continues to utilize local Bond Funds and State Appropriations to construct new schools and make improvements to existing facilities. As a result, long-term liabilities increased \$1,915,000.

The following are major elements of the District's governmental activities leading to the decrease in the changes in net position.

As noted in the preceding schedule, the District is heavily dependent on federal and state aid, which comprises 98% of total revenues. Correspondingly, it spends almost 82% of total expenditures on direct instruction and support services – student/instruction/school administration; the two primary functions that indicate direct school spending. Revenues from local sources experienced a slight increase. The District experienced an increase of \$79,497 in property tax revenues. Federal and State Aid, Operating Grants and contribution sources experienced an increase of \$6,839,974 compared to 2017. This increase is due to the increase in the Capital and Operating Grants and Contributions and an increase in the State Equalization Guarantee Fund of \$1,769,935. Due to the economic factors of the communities we serve, the District qualifies for substantial Federal assistance.

The remaining major funds also had a good outlook when comparing 2017 to 2018. The Debt Service Fund has increased as a result of the changes in long-term debt; refunding higher interest debt and the accelerated bond re-payment plan the District has chosen. The Capital Improvements Fund also showed an increase in FY 2018 revenues. The Bond Building Fund increased due to the issuance of debt.

The fund balance of the District's general fund increased by \$846,067 during the current fiscal year. The District reviewed staffing and departmental budgets and made adjustments to help salvage and increase the cash balance. The District made frugal decisions on spending and was able to maintain the District's high bond rating. The current fiscal year budget reflects a stable cash balance. The District continues to be cautious in its spending, mindful that there are unfunded State of New Mexico mandates, which allow teachers to move levels based on their evaluation instead of completing a dossier. Each level move per teacher costs the District approximately \$12,000 per year.

The District's Debt Service fund balance was \$4,357,687 and is restricted for the payment of debt service. This is a net increase in fund balance of \$383,471. The increase was due to an increase in property tax payments and prior years' refunding of higher interest bonds.

There was a decrease of \$2,443,596 in the fund balance of the Bond Building Fund resulting in a fund balance of \$4,286,430. The decrease was the result of the completion and payment of several large projects including the completion of Parkview Elementary School, CHS Gym Restroom Renovation, parking lot improvements and playground improvements at several schools.

General Fund Budgetary Highlights

The District's budget is prepared in compliance with New Mexico State Statutes and New Mexico Public Education Department regulations and is based on revenue and expenditure trends, current year projections for certain transactions including cash receipts, disbursements, and encumbrances and is driven by Individual Site 90-day plans. The primary focus of the District's budget development process is the General Fund due to funding challenges, legislative mandates for the educational programs and provision of student services, staffing, and other operating decisions. During the course of fiscal year 2018, the District amended its budget as

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needed. Differences between the original budgeted revenues and the final amended budgeted revenues resulted in a budget increase of \$1,079,166. This was a result of the funding formula increase of \$31.34 per unit per the Laws of 2018 CH 73 (HB2) and Laws of 2017 CH 135 (HB2).

The General Fund had significantly lower actual expenditures compared to final budget amounts in Instruction, Operations and Maintenance of Plant, and Other Support Services due to the strong budgeting controls the District has implemented.

Capital Asset and Debt Administration

At the end of fiscal year 2018, the District had \$224,046,000 invested in capitalized assets with associated accumulated depreciation of \$65,026,517. This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, and furniture, fixtures and equipment. For all governmental activities, the amount of capital assets owned by the District was \$159,019,483 at historical cost, net of accumulated depreciation.

Major capital asset events during the current fiscal year included the following:

- CHS Gym Restroom Renovation
- CHS Pressbox Renovation
- Parking Lot Improvements at Cameo Elementary, Barry Elementary, Freshman Academy, and Zia Elementary
- Roof Renovations at Cameo Elementary
- Playground Equipment at Los Ninos Preschool
- CHS Football Field Turf Replacement

Construction in progress consisted of major construction projects currently underway in the District which include the CHS Tennis Court Replacement, the New Highland Elementary School, Los Ninos Roof and HVAC Replacement, Sandia Elementary Parking Lot Replacement, Mesa Roof and HVAC Replacement, and other various projects throughout the District.

Long-Term Obligations

At the end of the current year, the District had \$43,683,828 in long-term debt related to governmental activities. Of this debt, \$43,400,000 was related to general obligation bonds outstanding at year-end. The debt position of the District is summarized below and is more fully analyzed in the financial statements.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 | Due Within One Year |
|----------------------|----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|
| Bonds payable | \$41,170,000 | \$ 5,000,000 | \$(2,770,000) | \$43,400,000 | \$ 3,085,000 |
| Compensated absences | <u>286,328</u> | <u>281,354</u> | <u>(283,854)</u> | <u>283,828</u> | <u>283,828</u> |
| Total | <u>\$41,456,328</u> | <u>\$ 5,281,354</u> | <u>\$(3,053,854)</u> | <u>\$43,683,828</u> | <u>\$ 3,368,828</u> |

The District's total debt amount was \$43,683,828 at June 30, 2018. On August 1, 2017, the District reduced the debt principal by \$2,770,000 in accordance with scheduled bond payments. Overall, the District increased its debt balances by \$2,227,500, which was due to the issuance of new debt in October 2017.

The District maintained an Aa3/Underlying Aaa bond rating from Moody's Investor Service, Inc. during FY 17-18 despite the downgrade in the New Mexico Bond Rating. Additionally, the District held a bond election on February 8, 2017 in which the voters passed by a margin of over 5 to 1. Clovis Municipal Schools intends to hold its next bond special election in February 2021.

Relevant Current Economic Factors, Decisions and Conditions

The economy of Curry County and the City of Clovis is based primarily upon agriculture, military, industrial manufacturing, and wholesale/retail distribution. With 4,732 active-duty members, 652 government civilians and 568 permanent party contractors, Cannon Air Force Base is vital to the economic stability of the area. Curry County is the largest agricultural center and has the largest concentration of cattle farms in New Mexico. Unemployment in Curry County has remained lower than the nation, at 3.8% in March, 2018.

The population of Curry County has seen a slight decrease over the previous year and the student population has shown a moderate decrease. The peak enrollment was in the FY 10-11 school year, with 8,470 students. The final student enrollment count for FY 17-18 was 8,065, which included 889 military students from Cannon Air Force Base. Projected enrollment for FY 18-19 was 7,834, which reflects a moderate decrease in the student population. Since the District, like all other New Mexico school districts, is funded on a prior year funding formula, (i.e., the student population from this year will determine the amount of funding received in the following year), it must maintain tight budgetary controls in order to meet current year needs with last years' funding. The District's primary general source of revenues is derived from the state funding formula.

Even with a decline in student population, the need still exists to update and renovate some of the District's older schools. By rebuilding older schools such as Parkview Elementary and Highland Elementary, the District will eliminate the need for 11 portable buildings within the next two years. The District is in the process of replacing furniture in all K-12 classrooms. In addition, the District is working towards repairing and/or replacing parking lots, HVAC, Floors and Ceilings in need of improvement and Replacement of the Tennis Courts at Clovis High School.

In February 2017, the voters approved new bonds for \$20,000,000. This debt authorization will be sold over a four-year period beginning in September 2017 and will conclude in September 2020. The final bond from the May 2013 election sold in September 2016. As old debt is retired, new debt is issued, thereby maintaining a Debt Service tax rate of \$4.95 per \$1,000 of assessed value.

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CLOVIS MUNICIPAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2018**

The District receives approximately 60% of its total annual operating budget from the State of New Mexico through the State Equalization Guarantee Funding. The objectives of the formula are (1) to equalize educational opportunity statewide (by manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The basis for the formula is in the number of students enrolled. Weighting factors are assigned to students that receive special services (i.e., special education and bilingual education services), as well as other factors based on the training and experience of the teaching staff and the District's at-risk population.

Request for Information

This financial report is designed to provide various interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or require additional information, contact the District's Finance Department:

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**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018**

| | <u>Governmental Activities</u> |
|---------------------------------------|------------------------------------|
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | \$ 8,486,621 |
| Restricted cash and cash equivalents | 21,964,258 |
| Receivables | 2,325,621 |
| Inventory | <u>526,178</u> |
| Total current assets | 33,302,678 |
| Non-current Assets | |
| Capital assets, net | <u>159,019,483</u> |
| Total assets | <u>192,322,161</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to pensions and OPEB | <u>53,377,081</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 689,430 |
| Accrued payroll liabilities | 775,662 |
| Accrued interest | 455,726 |
| Compensated absences | 283,828 |
| Due within one year - debt | <u>3,085,000</u> |
| Total current liabilities | <u>5,289,646</u> |
| Long-Term Liabilities | |
| Due in more than one year - debt | 40,315,000 |
| Net pension liability | 159,028,173 |
| Net OPEB liability | <u>43,016,453</u> |
| Total long-term liabilities | <u>242,359,626</u> |
| Total liabilities | <u>247,649,272</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to pensions and OPEB | <u>13,110,315</u> |
| NET POSITION | |
| Net investment in capital assets | 115,619,483 |
| Restricted for | |
| Debt service | 3,901,961 |
| Capital projects | 10,914,949 |
| Other | 5,142,332 |
| Unrestricted (deficit) | <u>(150,639,070)</u> |
| Total net position (deficit) | <u>\$ (15,060,345)</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position |
|---|----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary Government | | | | | |
| Governmental activities | | | | | |
| Instruction | \$ 65,302,764 | \$ 181,891 | \$ 3,326,937 | \$ - | \$ (61,793,936) |
| Support services | | | | | |
| Students | 8,799,759 | - | 3,190,246 | - | (5,609,513) |
| Instruction | 2,164,223 | - | 1,068,008 | - | (1,096,215) |
| General administration | 1,101,952 | - | - | - | (1,101,952) |
| School administration | 3,698,271 | - | - | - | (3,698,271) |
| Other support service | 2,781 | - | - | - | (2,781) |
| Central services | 2,239,104 | - | - | - | (2,239,104) |
| Operation & maintenance of plant | 7,749,000 | - | - | 8,387,964 | 638,964 |
| Student transportation | 2,081,459 | - | 2,063,396 | - | (18,063) |
| Food services operation | 5,052,366 | 167,956 | 4,122,067 | - | (762,343) |
| Community services | 30,052 | - | - | - | (30,052) |
| Interest on long-term obligations | <u>1,024,178</u> | - | - | - | <u>(1,024,178)</u> |
| Total Primary Government | <u>\$ 99,245,909</u> | <u>\$ 349,847</u> | <u>\$ 13,770,654</u> | <u>\$ 8,387,964</u> | <u>(76,737,444)</u> |
| General revenues | | | | | |
| Property taxes | | | | | |
| Levied for general purpose | | | | | 382,315 |
| Levied for debt services | | | | | 3,923,458 |
| Levied for capital projects | | | | | 1,586,709 |
| State equalization guarantee | | | | | 58,348,866 |
| Unrestricted investment earnings | | | | | 125,904 |
| Loss on disposal of capital assets | | | | | (4,490,123) |
| Miscellaneous | | | | | <u>103,793</u> |
| Total general revenues | | | | | <u>59,980,922</u> |
| Change in net position | | | | | |
| | | | | | (16,756,522) |
| Net position, beginning of year | | | | | 52,792,874 |
| Adoption of new accounting standard (Note 17) | | | | | <u>(51,096,697)</u> |
| Net position, beginning of year, as restated | | | | | <u>1,696,177</u> |
| Net position (deficit) - end of year | | | | | <u>\$ (15,060,345)</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

| | OPERATIONAL FUNDS | | | |
|---|------------------------|-------------------|----------------------------|---------------------|
| | <i>Fund 11000</i> | <i>Fund 13000</i> | <i>Fund 14000</i> | <i>Fund 21000</i> |
| | General Operational | Transportation | Instructional Materials | Food Service |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,857,481 | \$ - | \$ 500,694 | \$ 3,171,164 |
| Restricted cash and cash equivalents | 6,341,212 | - | - | - |
| Accounts receivable | | | | |
| Property taxes | 25,404 | - | - | - |
| Due from other governments | - | - | - | - |
| Other receivables | - | - | - | - |
| Interfund receivables | 1,851,927 | - | - | - |
| Inventory | 274,934 | - | - | 251,244 |
| Total assets | <u>\$ 11,350,958</u> | <u>\$ -</u> | <u>\$ 500,694</u> | <u>\$ 3,422,408</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 105,756 | \$ - | \$ - | \$ 66,119 |
| Accrued payroll liabilities | 775,662 | - | - | - |
| Interfund payables | - | - | - | - |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>881,418</u> | <u>-</u> | <u>-</u> | <u>66,119</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | 13,897 | - | - | - |
| Total liabilities and deferred inflows of resources | <u>895,315</u> | <u>-</u> | <u>-</u> | <u>66,119</u> |
| FUND BALANCES | | | | |
| Nonspendable | 274,934 | - | - | 251,244 |
| Restricted for | | | | |
| General fund | - | - | 500,694 | - |
| Special revenue | - | - | - | 3,105,045 |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | 10,180,709 | - | - | - |
| Total fund balances | <u>10,455,643</u> | <u>-</u> | <u>500,694</u> | <u>3,356,289</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 11,350,958</u> | <u>\$ -</u> | <u>\$ 500,694</u> | <u>\$ 3,422,408</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018**

| | <i>Fund 24101</i> | <i>Fund 24106</i> | <i>Fund 31100</i> | <i>Fund 31701</i> |
|---|-------------------|-----------------------|---------------------|---------------------------------------|
| | Title I | IDEA-B Entitlement | Bond Building | Capital Improvements SB-9 Local |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| Restricted cash and cash equivalents | - | - | 4,803,985 | 6,167,740 |
| Accounts receivable | | | | |
| Property taxes | - | - | - | 191,346 |
| Due from other governments | 429,204 | 667,255 | - | - |
| Other receivables | - | - | - | - |
| Interfund receivables | - | - | - | - |
| Inventory | - | - | - | - |
| Total assets | <u>\$ 429,204</u> | <u>\$ 667,255</u> | <u>\$ 4,803,985</u> | <u>\$ 6,359,086</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ 517,555 | \$ - |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | 429,204 | 667,255 | - | - |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>429,204</u> | <u>667,255</u> | <u>517,555</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | - | - | - | 143,367 |
| Total liabilities and deferred inflows of resources | <u>429,204</u> | <u>667,255</u> | <u>517,555</u> | <u>143,367</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for | | | | |
| General fund | - | - | - | - |
| Special revenue | - | - | - | - |
| Capital projects | - | - | 4,286,430 | 6,215,719 |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>4,286,430</u> | <u>6,215,719</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 429,204</u> | <u>\$ 667,255</u> | <u>\$ 4,803,985</u> | <u>\$ 6,359,086</u> |

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018**

Fund 41000

| | Debt Service | Other Governmental | Total |
|---|---------------------|-----------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ 1,957,282 | \$ 8,486,621 |
| Restricted cash and cash equivalents | 4,238,521 | 412,800 | 21,964,258 |
| Accounts receivable | | | |
| Property taxes | 176,939 | - | 393,689 |
| Due from other governments | - | 788,152 | 1,884,611 |
| Other receivables | - | 47,321 | 47,321 |
| Interfund receivables | - | - | 1,851,927 |
| Inventory | - | - | 526,178 |
| Total assets | \$ 4,415,460 | \$ 3,205,555 | \$ 35,154,605 |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ 689,430 |
| Accrued payroll liabilities | - | - | 775,662 |
| Interfund payables | - | 755,468 | 1,851,927 |
| Unearned revenues | - | - | - |
| Total liabilities | - | 755,468 | 3,317,019 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Delinquent property taxes | 57,773 | - | 215,037 |
| Total liabilities and deferred inflows of resources | 57,773 | 755,468 | 3,532,056 |
| FUND BALANCES | | | |
| Nonspendable | - | - | 526,178 |
| Restricted for | | | |
| General fund | - | - | 500,694 |
| Special revenue | - | 2,037,287 | 5,142,332 |
| Capital projects | - | 412,800 | 10,914,949 |
| Debt service | 4,357,687 | - | 4,357,687 |
| Assigned | - | - | - |
| Unassigned | - | - | 10,180,709 |
| Total fund balances | 4,357,687 | 2,450,087 | 31,622,549 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 4,415,460 | \$ 3,205,555 | \$ 35,154,605 |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

| | | |
|--|----|------------|
| Fund balances - total governmental funds | \$ | 31,622,549 |
|--|----|------------|

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

| | | |
|--------------------------|--|--------------|
| Capital assets | | 224,046,000 |
| Accumulated depreciation | | (65,026,517) |

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

| | | |
|---------------------------|--|---------|
| Delinquent property taxes | | 215,037 |
|---------------------------|--|---------|

Deferred inflow of resources are not financial resources and are not reported in the funds and include:

| | | |
|------------------------------|--|--------------|
| Related to pensions and OPEB | | (13,110,315) |
|------------------------------|--|--------------|

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

| | | |
|--------------------------|--|---------------|
| Bond payable | | (43,400,000) |
| Accrued interest payable | | (455,726) |
| Compensated absences | | (283,828) |
| Net pension liability | | (159,028,173) |
| Net OPEB liability | | (43,016,453) |

Deferred outflow of resources are not financial resources and are not reported in the funds and include:

| | | |
|------------------------------|--|------------|
| Related to pensions and OPEB | | 53,377,081 |
|------------------------------|--|------------|

| | | |
|--|-----------|----------------------------|
| Total net position (deficit) - governmental funds | \$ | <u>(15,060,345)</u> |
|--|-----------|----------------------------|

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | OPERATIONAL FUNDS | | | |
|--|------------------------|-------------------|----------------------------|---------------------|
| | <i>Fund 11000</i> | <i>Fund 13000</i> | <i>Fund 14000</i> | <i>Fund 21000</i> |
| | General Operational | Transportation | Instructional Materials | Food Service |
| REVENUES | | | | |
| Property taxes | \$ 391,194 | \$ - | \$ - | \$ - |
| State grants | 58,348,866 | 2,063,396 | 253,167 | - |
| Federal grants | 323,223 | - | - | 4,016,908 |
| Miscellaneous | 224,900 | - | 253 | - |
| Charges for services | 8,527 | - | - | 168,172 |
| Interest | 98,815 | - | - | - |
| Total revenues | <u>59,395,525</u> | <u>2,063,396</u> | <u>253,420</u> | <u>4,185,080</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 37,094,267 | - | 589,478 | - |
| Support services | | | | |
| Students | 5,966,409 | - | - | - |
| Instruction | 1,789,037 | - | - | - |
| General administration | 734,593 | - | - | - |
| School administration | 3,406,765 | - | - | - |
| Central services | 2,048,879 | - | - | - |
| Operation & maintenance of plant | 7,442,680 | - | - | - |
| Student transportation | - | 2,063,396 | - | - |
| Other support services | 2,781 | - | - | - |
| Food services operations | - | - | - | 4,034,744 |
| Community services | - | - | - | - |
| Capital outlay | 64,047 | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>58,549,458</u> | <u>2,063,396</u> | <u>589,478</u> | <u>4,034,744</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>846,067</u> | <u>-</u> | <u>(336,058)</u> | <u>150,336</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | 846,067 | - | (336,058) | 150,336 |
| Fund balances, beginning of year | <u>9,609,576</u> | <u>-</u> | <u>836,752</u> | <u>3,205,953</u> |
| Fund balances, end of year | <u>\$ 10,455,643</u> | <u>\$ -</u> | <u>\$ 500,694</u> | <u>\$ 3,356,289</u> |

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| | <i>Fund 24101</i> | <i>Fund 24106</i> | <i>Fund 31100</i> | <i>Fund 31701</i> |
|--|-------------------|-----------------------|---------------------|---------------------------------------|
| | Title I | IDEA-B Entitlement | Bond Building | Capital Improvements SB-9 Local |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 1,624,865 |
| State grants | - | - | - | - |
| Federal grants | 1,872,218 | 1,819,190 | - | - |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | 12,316 | 10,778 |
| Total revenues | <u>1,872,218</u> | <u>1,819,190</u> | <u>12,316</u> | <u>1,635,643</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 771,012 | 567,334 | - | - |
| Support services | | | | |
| Students | 589,315 | 913,921 | - | - |
| Instruction | 193,535 | - | - | - |
| General administration | 234,542 | 49,436 | - | 16,325 |
| School administration | 45,532 | 180,675 | - | - |
| Central services | 5,588 | 107,173 | - | - |
| Operation & maintenance of plant | 1,298 | - | - | - |
| Student transportation | 8,737 | 651 | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | 22,659 | - | - | - |
| Capital outlay | - | - | 7,455,912 | 617,735 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>1,872,218</u> | <u>1,819,190</u> | <u>7,455,912</u> | <u>634,060</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>(7,443,596)</u> | <u>1,001,583</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuance | - | - | 5,000,000 | - |
| Proceeds from refunding debt issuance | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>5,000,000</u> | <u>-</u> |
| Net changes in fund balances | - | - | (2,443,596) | 1,001,583 |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>6,730,026</u> | <u>5,214,136</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,286,430</u> | <u>\$ 6,215,719</u> |

See Notes to Financial Statements.

STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Fund 41000

| | Debt Service | Other Governmental | Total |
|--|---------------------|-----------------------|----------------------|
| REVENUES | | | |
| Property taxes | \$ 4,020,966 | \$ - | \$ 6,037,025 |
| State grants | - | 9,543,096 | 70,208,525 |
| Federal grants | - | 1,960,184 | 9,991,723 |
| Miscellaneous | - | 219,124 | 444,277 |
| Charges for services | - | 173,210 | 349,909 |
| Interest | 3,995 | - | 125,904 |
| Total revenues | <u>4,024,961</u> | <u>11,895,614</u> | <u>87,157,363</u> |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | - | 1,575,672 | 40,597,763 |
| Support services | | | |
| Students | - | 1,282,197 | 8,751,842 |
| Instruction | - | 79,948 | 2,062,520 |
| General administration | 40,412 | 22,862 | 1,098,170 |
| School administration | - | 50,369 | 3,683,341 |
| Central services | - | 68,906 | 2,230,546 |
| Operation & maintenance of plant | - | - | 7,443,978 |
| Student transportation | - | 8,675 | 2,081,459 |
| Other support services | - | - | 2,781 |
| Food services operations | - | 105,159 | 4,139,903 |
| Community services | - | 7,393 | 30,052 |
| Capital outlay | - | 8,387,964 | 16,525,658 |
| Debt service | | | |
| Principal | 2,770,000 | - | 2,770,000 |
| Interest | 1,024,178 | - | 1,024,178 |
| Total expenditures | <u>3,834,590</u> | <u>11,589,145</u> | <u>92,442,191</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>190,371</u> | <u>306,469</u> | <u>(5,284,828)</u> |
| Other financing sources | | | |
| Operating transfers | - | - | - |
| Proceeds from bond issuance | - | - | 5,000,000 |
| Proceeds from refunding debt issuance | - | - | - |
| Bond underwriter discount | - | - | - |
| Bond underwriter premium | 193,100 | - | 193,100 |
| Total other financing sources | <u>193,100</u> | <u>-</u> | <u>5,193,100</u> |
| Net changes in fund balances | 383,471 | 306,469 | (91,728) |
| Fund balances, beginning of year | <u>3,974,216</u> | <u>2,143,618</u> | <u>31,714,277</u> |
| Fund balances, end of year | <u>\$ 4,357,687</u> | <u>\$ 2,450,087</u> | <u>\$ 31,622,549</u> |

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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

| | | |
|---|----|----------|
| Net changes in fund balances - total governmental funds | \$ | (91,728) |
|---|----|----------|

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.

| | | |
|----------------------|--|-------------|
| Depreciation expense | | (5,032,030) |
| Capital outlays | | 15,069,667 |

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds

| | | |
|--|--|-----------|
| Change in deferred inflow related to the property taxes receivable | | (144,543) |
|--|--|-----------|

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:

| | | |
|-----------------------------|--|-------------|
| Bond proceeds | | (5,000,000) |
| Principal payments on bonds | | 2,770,000 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

| | | |
|--|--|---------------------|
| Increase in accrued interest payable | | (30,823) |
| Decrease in accrued compensated absences | | 2,500 |
| Loss on disposal of capital assets | | (4,523,432) |
| Contributions to pension and OPEB plans subsequent to measurement date | | 6,644,410 |
| Pension and OPEB expenses | | <u>(26,420,543)</u> |

| | | |
|--|-----------|----------------------------|
| Change in net position of governmental activities | \$ | <u>(16,756,522)</u> |
|--|-----------|----------------------------|

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL OPERATIONAL FUND (11000)
YEAR ENDED JUNE 30, 2018**

| | Original Budget | Final Budget | Actual Amount | Variance Favorable (Unfavorable) |
|---|-----------------------|-----------------------|----------------------|--|
| REVENUES | | | | |
| Property taxes | \$ 373,145 | \$ 385,280 | \$ 392,917 | \$ 7,637 |
| State grants | 57,618,406 | 58,510,107 | 58,348,866 | (161,241) |
| Federal grants | 175,432 | 238,445 | 339,461 | 101,016 |
| Miscellaneous | 128,600 | 233,417 | 224,900 | (8,517) |
| Charges for services | 1,500 | 9,000 | 8,527 | (473) |
| Interest | 84,000 | 84,000 | 98,815 | 14,815 |
| Total revenues | 58,381,083 | 59,460,249 | \$ 59,413,486 | \$ (46,763) |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 39,727,966 | 40,322,636 | \$ 37,112,637 | \$ 3,209,999 |
| Support services | | | | |
| Students | 5,484,024 | 7,261,222 | 5,966,409 | 1,294,813 |
| Instruction | 2,283,364 | 2,379,864 | 1,789,037 | 590,827 |
| General administration | 682,863 | 907,585 | 737,735 | 169,850 |
| School administration | 3,686,375 | 3,696,875 | 3,406,765 | 290,110 |
| Central services | 2,140,881 | 2,599,881 | 2,048,879 | 551,002 |
| Operation & maintenance of plant | 9,699,147 | 10,227,523 | 7,472,032 | 2,755,491 |
| Student transportation | - | - | - | - |
| Other support services | 172,125 | 172,125 | 2,781 | 169,344 |
| Operation of non-instructional services | | | | |
| Food services operations | - | - | - | - |
| Community services | - | 1,000 | - | 1,000 |
| Capital outlay | 4,197,719 | 1,425,458 | 64,047 | 1,361,411 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total expenditures | 68,074,464 | 68,994,169 | \$ 58,600,322 | \$ 10,393,847 |
| BUDGETED CASH BALANCE | \$ (9,693,381) | \$ (9,533,920) | | |

Reconciliation of budgetary basis to modified accrual statements

| | |
|------------------------|---------------|
| REVENUES | |
| Budgetary basis | \$ 59,413,486 |
| Change in receivables | (17,961) |
| Modified accrual basis | \$ 59,395,525 |
| EXPENDITURES | |
| Budgetary basis | \$ 58,600,322 |
| Change in payables | (50,864) |
| Modified accrual basis | \$ 58,549,458 |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TRANSPORTATION FUND (13000)
YEAR ENDED JUNE 30, 2018**

| | Original Budget | Final Budget | Actual Amount | Variance Favorable (Unfavorable) |
|---|--------------------|------------------|---------------------|--|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | 2,022,542 | 2,063,396 | 2,063,396 | - |
| Federal grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | <u>2,022,542</u> | <u>2,063,396</u> | <u>\$ 2,063,396</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | - | - | \$ - | \$ - |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | 2,022,542 | 2,063,396 | 2,063,396 | - |
| Other support services | - | - | - | - |
| Operation of non-instructional services | | | | |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total expenditures | <u>2,022,542</u> | <u>2,063,396</u> | <u>\$ 2,063,396</u> | <u>\$ -</u> |
| BUDGETED CASH BALANCE | <u>\$ -</u> | <u>\$ -</u> | | |

Reconciliation of budgetary basis to modified accrual statements

| | |
|------------------------|---------------------|
| REVENUES | |
| Budgetary basis | \$ 2,063,396 |
| Change in receivables | - |
| Modified accrual basis | <u>\$ 2,063,396</u> |
| EXPENDITURES | |
| Budgetary basis | \$ 2,063,396 |
| Change in payables | - |
| Modified accrual basis | <u>\$ 2,063,396</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
INSTRUCTIONAL MATERIALS FUND (14000)
YEAR ENDED JUNE 30, 2018**

| | Original Budget | Final Budget | Actual Amount | Variance Favorable (Unfavorable) |
|---|--------------------|-----------------|------------------|--|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | 231,651 | 231,374 | 253,167 | 21,793 |
| Federal grants | - | - | - | - |
| Miscellaneous | - | - | 253 | 253 |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | 231,651 | 231,374 | \$ 253,420 | \$ 22,046 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 231,651 | 1,068,126 | \$ 589,478 | \$ 478,648 |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Operation of non-instructional services | | | | |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total expenditures | 231,651 | 1,068,126 | \$ 589,478 | \$ 478,648 |
| BUDGETED CASH BALANCE | \$ - | \$ (836,752) | | |

Reconciliation of budgetary basis to modified accrual statements

| | |
|------------------------|------------|
| REVENUES | |
| Budgetary basis | \$ 253,420 |
| Change in receivables | - |
| Modified accrual basis | \$ 253,420 |
| EXPENDITURES | |
| Budgetary basis | \$ 589,478 |
| Change in payables | - |
| Modified accrual basis | \$ 589,478 |

See Notes to Financial Statements.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOOD SERVICE SPECIAL REVENUE FUND (21000)
YEAR ENDED JUNE 30, 2018**

| | Original Budget | Final Budget | Actual Amount | Variance Favorable (Unfavorable) |
|---|-----------------------|-----------------------|---------------------|--|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | - | - |
| Federal grants | 3,500,000 | 3,500,000 | 3,839,001 | 339,001 |
| Miscellaneous | - | - | - | - |
| Charges for services | 191,000 | 191,000 | 168,172 | (22,828) |
| Interest | - | - | - | - |
| Total revenues | <u>3,691,000</u> | <u>3,691,000</u> | <u>\$ 4,007,173</u> | <u>\$ 316,173</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | - | - | \$ - | \$ - |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Operation of non-instructional services | | | | |
| Food services operations | 6,245,166 | 6,746,516 | 3,891,525 | 2,854,991 |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total expenditures | <u>6,245,166</u> | <u>6,746,516</u> | <u>\$ 3,891,525</u> | <u>\$ 2,854,991</u> |
| BUDGETED CASH BALANCE | <u>\$ (2,554,166)</u> | <u>\$ (3,055,516)</u> | | |

Reconciliation of budgetary basis to modified accrual statements

| | |
|------------------------|---------------------|
| REVENUES | |
| Budgetary basis | \$ 4,007,173 |
| Change in receivables | 177,907 |
| Modified accrual basis | <u>\$ 4,185,080</u> |
| EXPENDITURES | |
| Budgetary basis | \$ 3,891,525 |
| Change in payables | 143,219 |
| Modified accrual basis | <u>\$ 4,034,744</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TITLE I SPECIAL REVENUE FUND (24101)
YEAR ENDED JUNE 30, 2018**

| | Original Budget | Final Budget | Actual Amount | Variance Favorable (Unfavorable) |
|---|--------------------|-----------------|------------------|--|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | - | - |
| Federal grants | 2,022,531 | 2,022,531 | 1,995,804 | (26,727) |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | 2,022,531 | 2,022,531 | \$ 1,995,804 | \$ (26,727) |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 1,058,979 | 875,738 | \$ 771,012 | \$ 104,726 |
| Support services | | | | |
| Students | 615,110 | 589,315 | 589,315 | - |
| Instruction | - | 196,241 | 193,535 | 2,706 |
| General administration | 259,588 | 242,088 | 234,542 | 7,546 |
| School administration | 36,800 | 57,300 | 45,532 | 11,768 |
| Central services | - | 5,895 | 5,588 | 307 |
| Operation & maintenance of plant | 2,500 | 1,300 | 1,298 | 2 |
| Student transportation | 4,554 | 9,654 | 8,737 | 917 |
| Other support services | - | - | - | - |
| Operation of non-instructional services | | | | |
| Food services operations | - | - | - | - |
| Community services | 45,000 | 45,000 | 22,659 | 22,341 |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total expenditures | 2,022,531 | 2,022,531 | \$ 1,872,218 | \$ 150,313 |
| BUDGETED CASH BALANCE | \$ - | \$ - | | |

Reconciliation of budgetary basis to modified accrual statements

| | |
|------------------------|--------------|
| REVENUES | |
| Budgetary basis | \$ 1,995,804 |
| Change in receivables | (123,586) |
| Modified accrual basis | \$ 1,872,218 |
| EXPENDITURES | |
| Budgetary basis | \$ 1,872,218 |
| Change in payables | - |
| Modified accrual basis | \$ 1,872,218 |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
IDEA-B SPECIAL REVENUE FUND (24106)
YEAR ENDED JUNE 30, 2018**

| | Original Budget | Final Budget | Actual Amount | Variance Favorable (Unfavorable) |
|---|--------------------|------------------|---------------------|--|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | - | - |
| Federal grants | 2,235,354 | 2,235,354 | 1,861,144 | (374,210) |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | 2,235,354 | 2,235,354 | \$ 1,861,144 | \$ (374,210) |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 501,788 | 683,788 | \$ 567,334 | \$ 116,454 |
| Support services | | | | |
| Students | 1,468,588 | 1,201,763 | 913,922 | 287,841 |
| Instruction | - | - | - | - |
| General administration | 43,436 | 49,436 | 49,436 | - |
| School administration | 181,280 | 182,455 | 180,675 | 1,780 |
| Central services | 39,361 | 116,011 | 107,173 | 8,838 |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | 901 | 1,901 | 651 | 1,250 |
| Other support services | - | - | - | - |
| Operation of non-instructional services | | | | |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Bond issuance costs | - | - | - | - |
| Total expenditures | 2,235,354 | 2,235,354 | \$ 1,819,191 | \$ 416,163 |
| BUDGETED CASH BALANCE | \$ - | \$ - | | |

Reconciliation of budgetary basis to modified accrual statements

| | |
|------------------------|---------------------|
| REVENUES | |
| Budgetary basis | \$ 1,861,144 |
| Change in receivables | (41,954) |
| Modified accrual basis | \$ 1,819,190 |
| EXPENDITURES | |
| Budgetary basis | \$ 1,819,191 |
| Change in payables | (1) |
| Modified accrual basis | \$ 1,819,190 |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2018**

ASSETS

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | <u>\$ 1,187,665</u> |
|---------------------------|---------------------|

LIABILITIES

| | |
|-----------------------------------|---------------------|
| Deposits held in trust for others | <u>\$ 1,187,665</u> |
|-----------------------------------|---------------------|

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clovis Municipal School District's (District) operation is in the primary and secondary education of school-age children within its state designated boundaries. The District operates under a school board form of government and provides services traditionally provided by public schools through the 12th grade.

This 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 the notes are the representation of the District's management who is responsible for their integrity and objectivity.

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally acceptable in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in Governmental Accounting and Financial Reporting Standards.

A. Reporting entity

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

The *Governmental Accounting Standards Board's (GASB) 39, Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, provides additional guidance to determine whether certain organizations, for which the primary government is not financially accountable, should be reported as component units, based on the nature and significance of their relationship with the primary government. Under both GASB 39 and GASB 61 criteria, the Clovis Municipal Schools Foundation (Foundation) meets the criteria for discrete component unit presentation. However, the Foundation does not meet the definition of a material component unit under either generally accepted auditing standards or the NMAC 2.2.2 and, therefore, is not included in these financial statements. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the District in support of its programs. There are no other component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and fund financial statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Deferred outflows of resources. A consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources. An acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position. The residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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.

STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property taxes, franchise taxes, licenses, 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. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Ad valorem taxes (property taxes) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

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

The *General Fund* is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds.

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

The *Debt Service Funds* account for the services of long-term debt not being financed by proprietary or non-expendable trust funds.

The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

Presentation of major funds. Under the requirements of GASB No. 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Operational Fund (Fund 11000)), which include funds that were not required to be presented as major but were at the discretion of management:

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other Operational Funds:

The *Transportation Fund (Fund 13000)* is used to account for the State Equalization received from the State of New Mexico Public Education Department which is used to pay for the costs associated with transporting school age children.

The *Instructional Materials Fund (Fund 14000)* is used to account for the monies received from the State of New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

The *Food Service Fund (Fund 21000)* is used to account for federal and local sources of income relating to the food services programs. The Food Service Fund is segregated into two categories: the federal funds category and the non-federal funds category. Federal funds consist of the National School Breakfast and Lunch Programs which are administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. The non-federal funds consist of income derived from the snack-bar facilities located throughout the District. Authority for creation of this fund is NMSA 22-13-13.

The *Title I Special Revenue Fund (Fund 24101)* is used to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Schools are identified for program participation by the percentage of students on free or reduced-price lunches. Any school with a free and reduced-price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the State of New Mexico Public Education Department. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

The *IDEA-B Entitlement Special Revenue Fund (Fund 24106)* is used to account for programs funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

The *Bond Building Capital Projects Fund (Fund 31100)* is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

Capital Improvements SB-9 Capital Projects Fund (Fund 31701) is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as Title I, IDEA-B, Charter Schools, and Magnet school funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function.

The District employs indirect cost allocation systems for certain federal programs. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the statement of activities. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

D. Assets, liabilities and net position or equity

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

State statutes authorize the District to invest in Money Market Funds, Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. At June 30, 2018, the District's investments included Money Market Funds and Certificates of Deposit. They are reported at cost.

Funds deposited in the debt service funds are restricted to pay future principal and interest payments. Proceeds deposited into capital projects funds are legally restricted for capital projects.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities and net position or equity (Continued)

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 “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Curry County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amounts remitted by the Curry County Treasurer in July and August 2018 is considered ‘measurable and available’ and, accordingly, is recorded as revenue during the year ended June 30, 2018.

Certain Special Revenue Funds are administered on a reimbursement method of funding; the District does not currently have funds which are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively. The District also receives federal Medicaid funds that are on a fee for service basis as a contractor.

Instructional Materials. The State of New Mexico Public Education Department receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, 50% is restricted to the requisition of material listed in the State Board of Education ‘State Adopted Instructional Material’ list, while the other 50% of each allocation is available for purchases directly from vendors, for which the school district receives cash draw-downs, or transfer to the 70% account for requisition of material from the adopted list.

Inventory. Inventory is valued at lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies held for consumption. Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed. The U.S.D.A. commodities are recorded at year-end by audit adjusting entries. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories and deferred revenue. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Capital Assets. Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 per Section 12-6-10 NMSA 1978 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets (retroactive to 1979) are to be included as part of the governmental capital assets reported

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities and net position or equity (Continued)

in the government-wide financial statements. The District did not own any infrastructure assets as of June 30, 2018. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the District did not maintain internally developed software. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2018. Capital expenditures made on the District's building construction projects by the New Mexico Public School Facilities Authority have been recorded as a revenue and expenditure in the fund financial statements and have been included as capital assets in the District's government-wide financial statements.

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

| | |
|---|-------------|
| Buildings/building improvements | 50 years |
| Vehicles, telecommunications & computer equipment | 5-20 years |
| Office equipment | 5-20 years |
| Other school equipment | 10-15 years |

Unearned Revenues. The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues.

Compensated Absences. The District permits 12-month employees to accumulate a limited amount of earned, but unused, vacation to be paid if not used upon termination from the District. All 12-month personnel accumulate vacation and will receive up to 20 days of vacation payout upon their resignation or termination. This is not limited to administrative personnel. The Superintendent, based on his contract, will receive up to 30 days of vacation payout upon his or her resignation. In the government-wide financial statements, the total amount of earned and unused vacation is recorded as a liability. Vacation pay that is expected to be liquidated within the next twelve months is reported as a current liability on the government-wide financial statements and in the governmental fund which will pay it. In the governmental funds, the cost of compensated absences is recognized when payments are made to employees. No liability is reported in the financial statements for unpaid accumulated sick leave as no payment is required upon employee termination.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities and net position or equity (Continued)

Long-Term Obligations. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Education 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Post-employment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position. Governmental funds report fund balance classifications that are comprised of a hierarchy, based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

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

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

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

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, liabilities and net position or equity (Continued)

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

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

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

E. Revenues

State Equalization Guarantee. School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to ensure 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; and 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance.

Tax Revenues. The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency.

The District records only the portion of the taxes considered to be 'measurable' and 'available'. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Curry County collects County, City and School taxes and distributes them to each fund once per month, except in June when the taxes are distributed twice to close out the fiscal year.

Federal Impact Aid. The District also receives Federal Impact Aid in lieu of property taxes for the presumed loss of property taxes that results from the federally owned lands of the Cannon Air Force Base that lie within the District's boundaries but are not subject to property taxes.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

Transportation Distribution. School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through 12th attending public school within the District.

Instructional Materials. The State of New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, 50% is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while the other 50% of each allocation is available for purchases directly from vendors.

Public School Capital Outlay. Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the Public School Capital Outlay Council (Council) necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

The Council shall approve an application for grant assistance from the fund when the council determines that:

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

The Council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The Council shall list all applications in order of priority and all allocations shall be made on a priority basis.

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the Council that the application has been approved.

SB-9 State Match. The Director shall distribute to any school district that has imposed a tax under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a 100% collection rate, is less

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

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

Federal Grants. The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flow through agency (usually the PED). The various budgets are approved by the Local School Board and the PED.

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food services operations, and the distributions of commodities through the New Mexico Human Services Department.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

Actual expenditures may not exceed the budget on a functional 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 District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the State of New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the PED by the District shall contain headings and details as described by law and have been approved by the PED.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.

The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.

4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the PED. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.

Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
6. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes. The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual line item.

Legal budget control for expenditures is by major function as follows: Instruction, Support Services, Operation of Non-Instructional Services, Capital Outlay, and Debt Service.

NOTE 3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The District’s investment policy does not further its investment choices. All invested funds of the District properly followed State investment requirements as of June 30, 2018.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation of Cash and Temporary Investments

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than 100% of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Additionally, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions are fully guaranteed, regardless of dollar amount.

Deposits

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 Schools for a least one half of the amount on deposit with the institution.

The detail of the District's bank accounts and the insured portion of the deposits is as follows:

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS (CONTINUED)

| | Bank of Clovis | Western Bank of Clovis | NM Bank & Trust | Citizen's Bank | Total |
|---|----------------------|------------------------------|---------------------|---------------------|----------------------|
| Deposits | | | | | |
| Checking | \$ 11,618,209 | \$ 7,265,902 | \$ 2,846,962 | \$ 8,787,388 | \$ 30,518,461 |
| Certificates of Deposit | 5,833,598 | - | - | - | 5,833,598 |
| FDIC coverage | <u>(500,000)</u> | <u>(250,000)</u> | <u>(250,000)</u> | <u>(250,000)</u> | <u>(1,250,000)</u> |
| Total uninsured public funds | <u>16,951,807</u> | <u>7,015,902</u> | <u>2,596,962</u> | <u>8,537,388</u> | <u>35,102,059</u> |
| | | | | | |
| Collateral requirement (50% of uninsured public funds) | 8,475,904 | 3,507,951 | 1,298,481 | 4,268,694 | 17,551,030 |
| | | | | | |
| Pledged collateral held by pledging bank's trust department or agent but not in agency's name | <u>18,764,909</u> | <u>7,564,932</u> | <u>5,790,283</u> | <u>7,000,269</u> | <u>39,120,393</u> |
| | | | | | |
| Total over collateralized | <u>\$ 10,289,006</u> | <u>\$ 4,056,981</u> | <u>\$ 4,491,802</u> | <u>\$ 2,731,575</u> | <u>\$ 21,569,364</u> |

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2018, \$35,102,059 of the District's bank balance of \$36,352,059 was exposed to custodial credit risk as it was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. The total uninsured and uncollateralized balance was \$1,537,119. At June 30, 2018, the carrying amount of these deposits was \$31,638,544.

The following table provides a reconciliation from the financial statements to the bank balance:

| | |
|--|----------------------|
| Government Funds - Balance Sheet | |
| Cash, restricted cash, and cash equivalents | \$ 30,450,879 |
| Statement of Fiduciary Assets and Liabilities - Agency Funds | |
| Cash and cash equivalents and investments | <u>1,187,665</u> |
| | 31,638,544 |
| Outstanding checks and other reconciling items | 4,713,655 |
| Petty cash | <u>(140)</u> |
| Bank balance of deposits | <u>\$ 36,352,059</u> |

The District utilizes internal pooled accounts for certain programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the balance sheets as of June 30, 2018.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 4. RECEIVABLES

Receivables (deemed 100% collectible) as of June 30, 2018, are as follows:

| | Operational | | | Capital | Debt | Other | |
|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| | Fund | Title I | IDEA-B | Improvements | Service | Governmental | Total |
| | | | | (SB-9) Local | | | |
| Property taxes | \$ 25,404 | \$ - | \$ - | \$ 191,346 | \$ 176,939 | \$ - | \$ 393,689 |
| Intergovernmental | - | 429,204 | 667,255 | - | - | 788,152 | 1,884,611 |
| Other | - | - | - | - | - | 47,321 | 47,321 |
| | <u>\$ 25,404</u> | <u>\$ 429,204</u> | <u>\$ 667,255</u> | <u>\$ 191,346</u> | <u>\$ 176,939</u> | <u>\$ 835,473</u> | <u>\$ 2,325,621</u> |

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. The composition of interfund balances as of June 30, 2018 is as follows:

| | Receivables | Payables |
|-----------------------|---------------------|---------------------|
| Major Funds | | |
| General Fund | \$ 1,851,927 | \$ - |
| Title I | - | 429,204 |
| IDEA-B | - | 667,255 |
| Nonmajor Funds | | |
| Special Revenue Funds | - | 688,851 |
| Capital Project Funds | - | 66,617 |
| | <u>\$ 1,851,927</u> | <u>\$ 1,851,927</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018 is as follows. Land is not subject to depreciation.

| | Balance June 30, 2017 | Additions | Deletions | Transfers | Balance June 30, 2018 |
|---|--------------------------|----------------------|-----------------------|--------------------|--------------------------|
| Capital Assets not being depreciated | | | | | |
| Land | \$ 1,488,259 | \$ - | \$ (5,788) | \$ - | \$ 1,482,471 |
| Construction in process | 2,567,364 | 14,340,345 | - | (4,341,330) | 12,566,379 |
| Total capital assets not being depreciated | <u>4,055,623</u> | <u>14,340,345</u> | <u>(5,788)</u> | <u>(4,341,330)</u> | <u>14,048,850</u> |
| Capital Assets being depreciated | | | | | |
| Land improvements | 18,456,567 | - | (937,376) | 3,497,884 | 21,017,075 |
| Buildings and building improvements | 179,796,756 | - | (8,479,042) | 843,446 | 172,161,160 |
| Furniture, fixtures, vehicles and equipment | 21,552,481 | 729,322 | (5,462,888) | - | 16,818,915 |
| Total capital assets being depreciated | <u>219,805,804</u> | <u>729,322</u> | <u>(14,879,306)</u> | <u>4,341,330</u> | <u>209,997,150</u> |
| Less accumulated depreciation | | | | | |
| Land improvements | 7,160,043 | 544,713 | (640,565) | - | 7,064,191 |
| Buildings and building improvements | 46,413,686 | 3,393,852 | (4,537,527) | - | 45,270,011 |
| Furniture, fixtures, vehicles, and equipment | 16,782,423 | 1,093,465 | (5,183,573) | - | 12,692,315 |
| Total accumulated depreciation | <u>70,356,152</u> | <u>5,032,030</u> | <u>(10,361,665)</u> | <u>-</u> | <u>65,026,517</u> |
| Net capital assets being depreciated | <u>149,449,652</u> | <u>(4,302,708)</u> | <u>(4,517,641)</u> | <u>4,341,330</u> | <u>144,970,633</u> |
| Government activities capital assets, net | <u>\$ 153,505,275</u> | <u>\$ 10,037,637</u> | <u>\$ (4,523,429)</u> | <u>\$ -</u> | <u>\$ 159,019,483</u> |

Depreciation expense was charged to governmental activities for the year ended June 30, 2018 as follows:

| | |
|---|---------------------|
| Depreciation expenses | |
| Instruction | \$ 3,637,654 |
| Support services - Students | 47,917 |
| Support services - Instruction | 101,703 |
| Support services - General Administration | 3,782 |
| Support services - School Administration | 14,930 |
| Fiscal services | 8,558 |
| Operation & maintenance of plant | 305,022 |
| Food services | 912,464 |
| | <u>\$ 5,032,030</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 7. LONG-TERM DEBT

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

| | Balance June 30, 2017 | Additions | Deletions | Balance June 30, 2018 | Due Within One Year |
|----------------------|----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|
| Bonds payable | \$41,170,000 | \$ 5,000,000 | \$(2,770,000) | \$43,400,000 | \$ 3,085,000 |
| Compensated absences | <u>286,328</u> | <u>281,354</u> | <u>(283,854)</u> | <u>283,828</u> | <u>283,828</u> |
| Total | <u>\$41,456,328</u> | <u>\$ 5,281,354</u> | <u>\$(3,053,854)</u> | <u>\$43,683,828</u> | <u>\$ 3,368,828</u> |

The District's general obligation bonds were issued for the purposes of creating, remodeling, making additions to and furnishing school buildings, and purchasing and improving school grounds and are payable solely from general property taxes that are levied against all taxable property in the District. The bonds are payable out of the Debt Service Fund (Fund 41000). Interest payments are due semi-annually on August 1 and February 1. Interest rates on the bonds range from 2% to 4%. Principal payments in varying amounts are due annually on August 1 through 2033.

The annual requirements to amortize the General Obligation Bonds as of June 30, 2018, including interest payments are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Debt Service |
|--------------------------------|-----------------------------|----------------------------|-----------------------------|
| 2019 | \$ 3,085,000 | \$ 1,056,313 | \$ 4,141,313 |
| 2020 | 2,625,000 | 985,264 | 3,610,264 |
| 2021 | 2,555,000 | 919,270 | 3,474,270 |
| 2022 | 2,740,000 | 852,105 | 3,592,105 |
| 2023 | 3,065,000 | 778,415 | 3,843,415 |
| 2024-2028 | 19,255,000 | 2,573,320 | 21,828,320 |
| 2029-2033 | <u>10,075,000</u> | <u>439,713</u> | <u>10,514,713</u> |
| | <u>\$ 43,400,000</u> | <u>\$ 7,604,400</u> | <u>\$ 51,004,400</u> |

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Compensated Absences

Twelve-month employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2018, compensated absences decreased \$2,500 from the prior year accrual. See Note 1 for more details.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 8. RISK MANAGEMENT

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers' Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, which includes a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2018, there have been no claims that have exceeded insurance coverage.

NOTE 9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2018:

None

B. Excess of expenditures over appropriations:

None

NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

Plan description. The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The Plan is a cost-sharing, multiple-employer pension 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 state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is considered a component unit of the State's financial reporting entity. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan which is a pension benefit trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-112, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Benefits provided. A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) 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.

Summary of Plan Provisions for Retirement Eligibility. For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements:

- The member's minimum age is 55 and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits
- The member's age is 67 and has earned 5 or more years of service credit.

Forms of Payment. 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.

Benefit Options. The Plan has three benefit options available:

- **Option A – Straight Life Benefit.** The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit.** The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit.** The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Disability Benefit. An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member’s Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member’s FAS or (b) 2% of the member’s FAS multiplied by total years of service credit projected to age 60.

Cost of Living Adjustment (COLA). All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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.

Refund of Contributions. Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

Contributions. For the fiscal years ended June 30, 2018 and 2017, educational employers contributed to the Plan based on the following rate schedule.

| Fiscal Year | Date Range | Wage Category | Member Rate | Employer Rate | Combined Rate | Increase Over Prior Year |
|-------------|-------------------|---------------|-------------|---------------|---------------|--------------------------|
| 2018 | 7-1-17 to 6-30-18 | Over \$20K | 10.70% | 13.90% | 24.60% | 0.00% |
| 2018 | 7-1-17 to 6-30-18 | \$20K or less | 7.90% | 13.90% | 21.80% | 0.00% |
| 2017 | 7-1-16 to 6-30-17 | Over \$20K | 10.70% | 13.90% | 24.60% | 0.00% |
| 2017 | 7-1-16 to 6-30-17 | \$20K or less | 7.90% | 13.90% | 21.80% | 0.00% |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$10,139,931 and \$9,732,906, respectively, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$159,028,173 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the ERB Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 1.43095%, which was a decrease of 0.01125% from its proportion measured at June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$24,798,965. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual actuarial experience change of assumptions | \$ 285,471 | \$ 2,449,979 |
| Net difference between projected and actual earnings on pension plan investments | - | 21,815 |
| Changes in assumptions | 46,423,449 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 23,751 | 848,078 |
| District contributions subsequent to the measurement date | <u>5,808,360</u> | <u>-</u> |
| Total | <u>\$ 52,541,031</u> | <u>\$ 3,319,872</u> |

The District reported \$5,808,360 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

STATE OF NEW MEXICO
 CLOVIS MUNICIPAL SCHOOLS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

| <u>Year Ending June 30,</u> | |
|-----------------------------|-----------------------------|
| 2019 | \$ 16,324,357 |
| 2020 | 17,730,782 |
| 2021 | 10,667,135 |
| 2022 | (1,309,476) |
| 2023 | <u>-</u> |
| Total | <u>\$ 43,412,798</u> |

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

| | | | | | | | | | | | |
|---|---|-------------|-------------|-------------|-------------|-------------|-----------------------|------|------|------|------|
| Inflation | 2.50% | | | | | | | | | | |
| Salary increases | 3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service. | | | | | | | | | | |
| Investment rate of return | 7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return. | | | | | | | | | | |
| Average of Expected Remaining Service Lives | <table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: right;">Fiscal year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td style="text-align: right;">Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table> | Fiscal year | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | Service life in years | 3.35 | 3.77 | 3.92 | 3.88 |
| Fiscal year | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | | | | | | | |
| Service life in years | 3.35 | 3.77 | 3.92 | 3.88 | | | | | | | |
| Mortality | <p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p> | | | | | | | | | | |
| Retirement Age | Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014. | | | | | | | | | | |
| Cost-of-living increases | 1.90% per year, compounded annually. | | | | | | | | | | |
| Payroll growth | 3.00% per year (with no allowance for membership growth). | | | | | | | | | | |
| Contribution accumulation | The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future. | | | | | | | | | | |
| Disability incidence | Approved rates are applied to eligible members with at least 10 years of service. | | | | | | | | | | |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial assumptions and methods are set by the Plan’s Board of Trustees, based upon recommendations made by the Plan’s actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

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

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

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|--------------|----------------------|--|
| Equities | 33% | |
| Fixed income | 26% | |
| Alternatives | 40% | |
| Cash | 1% | |
| | 100% | 7.25% |

Discount rate. A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90%) or 1-percentage-point higher (6.90%) than the current rate.

| | 1 % Decrease 4.90% | Current Discount Rate 5.90% | 1 % Increase 6.90% |
|--|-----------------------|-----------------------------------|-----------------------|
| District's proportionate share of the net pension liability | \$ 207,015,134 | \$ 159,028,173 | \$ 119,802,737 |

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 the years ended June 30, 2018 and 2017, which are publicly available at https://www.nmerb.org/Annual_reports.html.

NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan description. Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Employees covered by benefit terms. At June 30, 2017, the Fund’s measurement date, the following State of New Mexico employees were covered by the benefit terms:

| | |
|--|----------------|
| Plan membership | |
| Current retirees and surviving spouses | 51,208 |
| Inactive and eligible for deferred benefit | 11,478 |
| Current active members | <u>97,349</u> |
| | <u>160,035</u> |
| Active membership | |
| State general | 19,593 |
| State police and corrections | 1,886 |
| Municipal general | 21,004 |
| Municipal police | 3,820 |
| Municipal FTRE | 2,290 |
| Educational Retirement Board | <u>48,756</u> |
| | <u>97,349</u> |

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$836,050 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2018, the District reported a liability of \$43,016,453 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District’s proportion was 0.94924%.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,710,196. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ 1,650,743 |
| Differences between actual and projected earnings on OPEB plan investments | - | 618,821 |
| Changes of assumptions | - | 7,520,879 |
| Contributions made after the measurement date | <u>836,050</u> | <u>-</u> |
| Total | <u>\$ 836,050</u> | <u>\$ 9,790,443</u> |

Deferred outflows of resources totaling \$836,050 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-----------------------|
| 2019 | \$(2,081,517) |
| 2020 | (2,081,517) |
| 2021 | (2,081,517) |
| 2022 | (2,081,517) |
| 2023 | <u>(1,464,375)</u> |
| Total | <u>\$ (9,790,443)</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

| | |
|-----------------------------|---|
| Valuation Date | June 30, 2017 |
| Actuarial cost method | Entry age normal, level percent of pay, calculated on individual employee basis |
| Asset valuation method | Market value of assets |
| Actuarial assumptions: | |
| Inflation | 2.50% for ERB; 2.25% for PERA |
| Projected payroll increases | 3.50% |
| Investment rate of return | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation |
| Health care cost trend rate | 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs |

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

| Asset Class | Target Allocation | Long-Term Rate of Return |
|-------------------------------|-------------------|--------------------------|
| U.S. core fixed income | 20% | 4.1% |
| U.S. equity - large cap | 20% | 9.1% |
| Non U.S. - emerging markets | 15% | 12.2% |
| Non U.S. - developed equities | 12% | 9.8% |
| Private equity | 10% | 13.8% |
| Credit and structured finance | 10% | 7.3% |
| Real estate | 5% | 6.9% |
| Absolute return | 5% | 6.1% |
| U.S. equity - small/mid cap | 3% | 9.1% |

STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Discount Rate. The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the **current discount rate**:

| 1% Decrease (2.81%) | Current Discount (3.81%) | 1% Increase (4.81%) |
|------------------------|-----------------------------|------------------------|
| \$ 52,178,287 | \$ 43,016,453 | \$ 35,828,171 |

The following presents the net OPEB liability of the School, as well as what the School’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the **current healthcare cost trend rates**:

| 1% Decrease | Current Trend Rates | 1% Increase |
|---------------|------------------------|---------------|
| \$ 36,588,456 | \$ 43,016,453 | \$ 48,028,702 |

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

NOTE 12. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial. The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District’s legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 13. BUDGETED ACTIVITY FUNDS

The Student Activity Funds are considered for reporting purposes as agency funds and the related activity has been reported as such in the Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds.

NOTE 14. COMMITMENTS

The District contracts with outside vendors for construction and renovation of various facilities. At June 30, 2018, the District's maintains a portion of contracts outstanding for capital projects.

NOTE 15. GOVERNMENTAL FUND BALANCE

In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

Nonspendable. Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed. Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example: legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned. Consist of amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned. Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 16. RELATED PARTY TRANSACTIONS

On May 23, 2017, the Board of Education approved a waiver for fiscal year 2018, in accordance with Section 13-1-194, NMSA 1978, to allow a company owned by a Board Member (Snider Electric) to bid or contract for the procurement of services with the District. Also, on October 24, 2017, the Board of Education approved a waiver for fiscal year 2018, in accordance with Section 13-1-194, NMSA 1978, to allow a company owned by a Board Member (Hamilton Big Country Ford) to bid or contract for the procurement of services with the District. During the year ended June 30, 2018, the District incurred approximately \$203,184 and \$2,322 in expenditures with Snider Electric and Hamilton Big Country Ford, respectively. No amounts were owed to or from the companies/District at June 30, 2018.

NOTE 17. RESTATEMENT OF NET POSITION – ADOPTION OF NEW ACCOUNTING STANDARD

The Governmental Accounting Standards Board (GASB) issued a new accounting pronouncement (Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans) effective for the year ended June 30, 2018. The implementation of GASB 75 has created a restatement of the District's beginning net position.

As a cost-share employer participating the Retiree Health Care Authority (Plan or "RHCA") (see Note 11), the District is required to, and has included, in its June 30, 2018 financial statements, the pro rata share of the Plan's collective "Net Retiree Healthcare Liability". This share represents the difference between the Plan's "Total Plan Liability" and the Plan's "Net Plan Position", reported at the market value of the investment assets.

With the adoption of the new accounting pronouncement, the District has reduced its Unrestricted Net Position the beginning of the fiscal year in the amount of \$51,096,697, as shown on the government-wide Statement of Activities.

NOTE 18. TAX ABATEMENTS

Abatements of Other Governments. The District is subject to tax abatements granted by the City of Clovis through the Industrial Revenue Bond Act. This program has the stated purposes of promoting industry and trade other than retail trade in the county and municipalities.

Industrial Revenue Bonds. Under the Industrial Revenue Bond Act [3-32 NMSA 1978], the City Council can vote to induce an industrial revenue bond in order to induce a manufacturing, industrial, or commercial enterprise to locate or expand in that region, by financing a specified project. The City may include in the agreement a stipulation of an amount or a percentage reduction of property taxes, which can be as much as 100%. This reduction or exemption is applicable for the life of the bond issue, not to exceed 30 years from the date the bonds were issued, and is a significant benefit for borrowers that would not otherwise qualify for a property tax exemption under other constitutional or statutory provisions. Information relevant to disclosure of those programs for the fiscal year ended June 30, 2018 follows:

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018**

NOTE 18. TAX ABATEMENTS (CONTINUED)

| | |
|--|--|
| Agency number for Agency making the disclosure (Abating Agency) | #6038 |
| Abating Agency Name | City of Clovis |
| Abating Agency Type | Municipality |
| Tax Abatement Agreement Name | Industrial Revenue Bond |
| Name of agency affected by abatement agreement (Affected Agency) | Clovis Municipal Schools |
| Agency number of Affected Agency | #7017 |
| Agency type of Affected Agency | School District |
| Recipient(s) of tax abatement | Southwest Cheese |
| Tax abatement program (name and brief description) | Industrial Revenue Bond - 100% Tax Abatement with Payment In Lieu of Taxes to School |
| Specific Tax(es) Being Abated | Real and Personal Property Taxes |
| Authority under which abated tax would have been paid to Affected Agency | State of New Mexico Industrial Revenue Bond Act |
| Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement | \$896,910.00 |
| For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year | \$100,000 to the Clovis School Foundation & \$54,343 to Clovis Municipal School District |
| If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission | None Omitted |

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY
FOR THE YEARS ENDED JUNE 30, 2018 - 2015
LAST 10 FISCAL YEARS* (UNAUDITED)**

| Fiscal Year Measurement Date | 2018 2017 | 2017 2016 | 2016 2015 | 2015 2014 |
|--|-----------------------|----------------|---------------|---------------|
| District's proportion of the net pension liability | 1.43095% | 1.44220% | 1.44141% | 1.46196% |
| District's proportionate share of the net pension liability | \$ 159,028,173 | \$ 103,786,965 | \$ 93,363,964 | \$ 83,415,477 |
| District's covered-employee payroll | \$ 41,802,516 | \$ 40,114,874 | \$ 39,355,110 | \$ 40,970,214 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 380% | 259% | 237% | 204% |
| ERB Plan fiduciary net position as a percentage of the total pension liability | 52.95% | 61.58% | 63.97% | 66.54% |

* Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
FOR THE YEARS ENDED JUNE 30, 2018 - 2015
LAST 10 FISCAL YEARS* (UNAUDITED)

| | June 30, | | | |
|--|---------------------|---------------------|---------------------|---------------------|
| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Statutorily required contributions | \$ 5,808,360 | \$ 5,575,967 | \$ 5,695,136 | \$ 5,299,067 |
| Contribution in relation to the statutorily required contributions | <u>\$ 5,808,360</u> | <u>\$ 5,575,967</u> | <u>\$ 5,695,136</u> | <u>\$ 5,299,067</u> |
| Annual contribution deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

* Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
RETIREE HEALTH CARE ACT (RHCA) OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 FISCAL YEARS* (UNAUDITED)

| | June 30, |
|---|----------------------|
| Fiscal Year | 2018 |
| Measurement Date | 2017 |
| District's proportion of the net OPEB liability | 0.94924% |
| District's proportionate share of the net OPEB liability | \$ 43,016,453 |
| District's covered-employee payroll | \$ 39,541,991 |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 108.79% |
| RHCA Plan fiduciary net position as a percentage of the total pension liability | 11.34% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years. Complete information for the District is not available prior to 2018, the year the statement's requirements became effective.

STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
RETIREE HEALTH CARE ACT (RHCA) OPEB PLAN
FOR THE YEAR ENDED JUNE 30, 2018
LAST 10 FISCAL YEARS* (UNAUDITED)

| | 2018 |
|--|----------------------|
| Contractually required contribution | \$ 3,014,283 |
| Contributions in relation to the contractually required | \$ 1,512,834 |
| District's proportion of the net OPEB liability | \$ 1,501,449 |
| Employer's covered-employee payroll | \$ 39,541,991 |
| Contributions as a percentage of covered-employee payroll | 3.83% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for available years. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
JUNE 30, 2018**

ERB PLAN

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

RHCA Plan

Changes in benefit provisions. There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

Changes in assumptions and methods. There were no modifications to the assumptions and methods as this is the first year of adoption of the OPEB accounting standard.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

| | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total</u> |
|--|------------------------|-------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,957,282 | \$ - | \$ 1,957,282 |
| Restricted cash and cash equivalents | - | 412,800 | 412,800 |
| Accounts receivable, collectible | | | |
| Taxes | - | - | - |
| Due from other governments | 721,535 | 66,617 | 788,152 |
| Other receivables | 47,321 | - | 47,321 |
| Interfund receivables | - | - | - |
| Inventory | - | - | - |
| Total assets | <u>\$ 2,726,138</u> | <u>\$ 479,417</u> | <u>\$ 3,205,555</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Accrued payroll liabilities | - | - | - |
| Interfund payables | 688,851 | 66,617 | 755,468 |
| Unearned revenues | - | - | - |
| Total liabilities | <u>688,851</u> | <u>66,617</u> | <u>755,468</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Delinquent property taxes | - | - | - |
| Total liabilities and deferred inflows of resources | <u>688,851</u> | <u>66,617</u> | <u>755,468</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted for | | | |
| General fund | - | - | - |
| Special revenue | 2,037,287 | - | 2,037,287 |
| Capital projects | - | 412,800 | 412,800 |
| Debt service | - | - | - |
| Assigned | - | - | - |
| Unassigned | - | - | - |
| Total fund balances | <u>2,037,287</u> | <u>412,800</u> | <u>2,450,087</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 2,726,138</u> | <u>\$ 479,417</u> | <u>\$ 3,205,555</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

| | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Total</u> |
|---|------------------------|-------------------------|---------------------|
| REVENUES | | | |
| Property taxes | \$ - | \$ - | \$ - |
| State grants | 1,155,132 | 8,387,964 | 9,543,096 |
| Federal grants | 1,960,184 | - | 1,960,184 |
| Miscellaneous | 219,124 | - | 219,124 |
| Charges for services | 173,210 | - | 173,210 |
| Interest | - | - | - |
| Total revenues | <u>3,507,650</u> | <u>8,387,964</u> | <u>11,895,614</u> |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 1,575,672 | - | 1,575,672 |
| Support services | | | |
| Students | 1,282,197 | - | 1,282,197 |
| Instruction | 79,948 | - | 79,948 |
| General administration | 22,862 | - | 22,862 |
| School administration | 50,369 | - | 50,369 |
| Central services | 68,906 | - | 68,906 |
| Operation & maintenance of plant | - | - | - |
| Student transportation | 8,675 | - | 8,675 |
| Other support services | - | - | - |
| Food services operations | 105,159 | - | 105,159 |
| Community services | 7,393 | - | 7,393 |
| Capital outlay | - | 8,387,964 | 8,387,964 |
| Debt service | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Total expenditures | <u>3,201,181</u> | <u>8,387,964</u> | <u>11,589,145</u> |
| Excess of revenues over expenditures | <u>306,469</u> | <u>-</u> | <u>306,469</u> |
| Other financing sources | | | |
| Operating transfers | - | - | - |
| Proceeds from bond issuances | - | - | - |
| Bond underwriter discount | - | - | - |
| Bond underwriter premium | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | 306,469 | - | 306,469 |
| Fund balances, beginning of year | <u>1,730,818</u> | <u>412,800</u> | <u>2,143,618</u> |
| Fund balances, end of year | <u>\$ 2,037,287</u> | <u>\$ 412,800</u> | <u>\$ 2,450,087</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NONMAJOR SPECIAL REVENUE FUNDS – FUND DESCRIPTIONS
JUNE 30, 2018**

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Grants accounted for in the nonmajor Special Revenue Funds include:

Athletics (Fund 22000). This fund is used to account for fees generated at athletic activities throughout the District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

Migrant Children Education (Fund 24103). The purpose of this program is to assist the District in providing a summer school program for migrant students. Federal revenues accounted for in this fund are administered by the New Mexico Public Education Department. Authority for creation of this fund is Chapter I of Title I of the Elementary and Secondary Education Act (ESEA) of 1965 as amended, Public Law 103-382.

IDEA-B Competitive (Fund 24108). Research-based model program for the New Mexico Autism Project to improve the outcomes for students with Autism Spectrum Disorders.

IDEA-B Preschool (Fund 24109). The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from age three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

IDEA-B Early Intervention (Fund 24112). Coordinated Early Intervention Services to provide students with services before they are identified as special education.

IDEA-B Results Plan (24132). Funding for support activities included the Education Plan for Student Success for Elementary Schools.

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

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

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

Migrant Education Program (Fund 24187). This fund accounts for the identification and recruitment of migrant students.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NONMAJOR SPECIAL REVENUE FUNDS – FUND DESCRIPTIONS (CONTINUED)
JUNE 30, 2018**

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

Title XIX MEDICAID (Fund 25153). To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

ROTC (Fund 25200). To account for federal funds received for the implementation of the ROTC program. The authority for creation of this fund is in the State of New Mexico PED Policies and Procedures Manual.

ENLACE UNM (Fund 26103). The Engaging Latino Communities for Education initiative is to provide a path of education to pursue a higher education by collaborating with parents and families, communities, school districts, colleges and universities, professional and community organizations; to identify and nurture leaders and teachers to keep kids in school and prepare them for college.

Walton Family Foundation (Fund 26148). This fund initiative is focused on education, workforce development, economic opportunity, environmental sustainability, and health and wellness. The authority for creation of this fund is in the State of New Mexico PED Policies and Procedures Manual.

Clovis Municipal Schools Foundation (Fund 26184). Fund to account for the monies provided to the District to provide additional educational opportunities in and out of the classroom. Funding provided by foundation donation, the authority provided by the Clovis Municipal School Board.

Albertson's Community Grant (Fund 26217). This fund is to account for money from the Albertson's community partners program to support school activities.

Dual Credit Instructional Materials (Fund 27103). To purchase college textbooks for students who dual enroll in college credited courses while still attending high school.

GOB Library (Fund 27107). Library books and library resources for public school libraries statewide. Fund made available through appropriations contained in, Laws 2016 Chapter 82 Section 10, B3 (Senate Bill 122).

New Mexico Reads to Lead! (Fund 27114). Reading Initiative legislative funded.

Teacher Recruitment Initiative (Fund 27128). Teacher recruitment awarded to all LEA's by the NM PED for signing bonuses for new teachers, covering cost of travel to recruit/hire, update district web site with regards to recruitment or the cost of other advertising such as newspaper or external website.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NONMAJOR SPECIAL REVENUE FUNDS – FUND DESCRIPTIONS (CONTINUED)
JUNE 30, 2018**

Truancy Initiative PED (Fund 27141). The purpose of the Truancy and Dropout Prevention Coaches program is to establish a cohort of truancy and dropout prevention coaches placed in Elementary, Middle and High Schools whose role is to work with students, families, communities, schools, and districts to improve attendance for habitually truant students as well as to decrease the number of students dropping out of school.

NEW MEXICO PRE-K (Fund 27149). Half-day program services for 300 students. Funding provided shall be used as specified by the 2015 PreK Act. Must be implemented as specified in the approved application.

Industrial Revenue Bonds Payments in Lieu of Taxes (29135). Funds received from a manufacturing Facility located in the District. Funds are for textbook and construction services. The authority for creation of this fund is the New Mexico Public Education Department.

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

Kindergarten Three Plus (27166). The K-3 Plus program provides funding for additional educational time for students in Kindergarten through third grade with at least 25 instructional days, beginning up to two months earlier than the regular school year.

After School Enrichment Program (27168). The After School & Summer Enrichment Program creates learning centers that will provide students with a broad range of exceptional school linked learning and developmental opportunities designed to complement the students' regular academic program.

4R Future (Fund 27188). 4RFuture (Recognize, Respect, Reward and Retain). For individual educator awards. Those who positively impact the academic trajectory of their students will be recognized for their excellence and be incentivized to continue their work within their classroom.

Hard to Staff Teacher Initiative (Fund 27195). Hard to Staff teacher retention stipends to be awarded to teachers who have met the award criteria.

K3, 4-5 PILOT (Fund 27198). Provides funding for additional educational time for students in the kindergarten through fifth grade with at least 25 instructional days, beginning up to two months earlier than the regular school year.

Parent Advocacy (Fund 27193). To account for the availability of a Student-Parent Portal program to every district in NM affording them the opportunity to receive services to develop a student-parent portal. These portals can be used to deliver student information and reports to students and parents online. The authority for creation of this fund is in the State of New Mexico PED Policies and Procedures Manual.

Private Direct Grants (Fund 29102). To account for local grants awarded to provide additional funding for specific projects.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018**

| | <i>Fund 22000</i> | <i>Fund 24103</i> | <i>Fund 24108</i> | <i>Fund 24109</i> |
|--|-------------------|-------------------------------|-----------------------|---------------------|
| | Athletics | Migrant Children Education | IDEA-B Competitive | IDEA-B Preschool |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 62,395 | \$ - | \$ - | \$ - |
| Restricted cash and cash equivalents | - | - | - | - |
| Accounts receivable, collectible | | | | |
| Taxes | - | - | - | - |
| Due from other governments | - | 12,624 | 1,511 | 1,893 |
| Other receivables | - | - | - | - |
| Interfund receivables | - | - | - | - |
| Investments | - | - | - | - |
| Restricted investments | - | - | - | - |
| Inventory | - | - | - | - |
| Total assets | <u>\$ 62,395</u> | <u>\$ 12,624</u> | <u>\$ 1,511</u> | <u>\$ 1,893</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | - | 12,624 | 1,511 | 1,893 |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>-</u> | <u>12,624</u> | <u>1,511</u> | <u>1,893</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>-</u> | <u>12,624</u> | <u>1,511</u> | <u>1,893</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for | | | | |
| General fund | - | - | - | - |
| Special revenue | 62,395 | - | - | - |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances | <u>62,395</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 62,395</u> | <u>\$ 12,624</u> | <u>\$ 1,511</u> | <u>\$ 1,893</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

| | <i>Fund 24112</i> IDEA-B Early Intervention | <i>Fund 24132</i> IDEA-B Results Plan | <i>Fund 24153</i> English Language Acquisition | <i>Fund 24154</i> Teacher/Principal Training & Recruiting |
|--|--|--|---|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| Restricted cash and cash equivalents | - | - | - | - |
| Accounts receivable, collectible | | | | |
| Taxes | - | - | - | - |
| Due from other governments | 35,221 | 41,161 | 29,997 | 95,876 |
| Other receivables | - | - | - | - |
| Interfund receivables | - | - | - | - |
| Investments | - | - | - | - |
| Restricted investments | - | - | - | - |
| Inventory | - | - | - | - |
| Total assets | <u>\$ 35,221</u> | <u>\$ 41,161</u> | <u>\$ 29,997</u> | <u>\$ 95,876</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | 35,221 | 41,161 | 29,997 | 95,876 |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>35,221</u> | <u>41,161</u> | <u>29,997</u> | <u>95,876</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>35,221</u> | <u>41,161</u> | <u>29,997</u> | <u>95,876</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for | | | | |
| General fund | - | - | - | - |
| Special revenue | - | - | - | - |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 35,221</u> | <u>\$ 41,161</u> | <u>\$ 29,997</u> | <u>\$ 95,876</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

| | <i>Fund 24174</i> Carl D Perkins Secondary Current | <i>Fund 24176</i> Carl D Perkins Secondary Redistribution | <i>Fund 24187</i> Migrant Regional Recruiting | <i>Fund 25145</i> Impact Aid Special Education |
|--|---|--|--|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 61,424 |
| Restricted cash and cash equivalents | - | - | - | - |
| Accounts receivable, collectible | | | | |
| Taxes | - | - | - | - |
| Due from other governments | 15,219 | 1,793 | 15,371 | - |
| Other receivables | - | 3,200 | - | - |
| Interfund receivables | - | - | - | - |
| Investments | - | - | - | - |
| Restricted investments | - | - | - | - |
| Inventory | - | - | - | - |
| Total assets | <u>\$ 15,219</u> | <u>\$ 4,993</u> | <u>\$ 15,371</u> | <u>\$ 61,424</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | 15,219 | 4,993 | 15,371 | - |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>15,219</u> | <u>4,993</u> | <u>15,371</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>15,219</u> | <u>4,993</u> | <u>15,371</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for | | | | |
| General fund | - | - | - | - |
| Special revenue | - | - | - | 61,424 |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>61,424</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 15,219</u> | <u>\$ 4,993</u> | <u>\$ 15,371</u> | <u>\$ 61,424</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

| | <i>Fund 25153</i> | <i>Fund 25200</i> | <i>Fund 26103</i> | <i>Fund 26148</i> |
|--|-----------------------|-------------------|-------------------|-----------------------------|
| | Title XIX Medicaid | ROTC | ENLACE UNM | Walton Family Foundation |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,766,135 | \$ - | \$ - | \$ - |
| Restricted cash and cash equivalents | - | - | - | - |
| Accounts receivable, collectible | | | | |
| Taxes | - | - | - | - |
| Due from other governments | 80,005 | 757 | - | - |
| Other receivables | - | - | 44,121 | - |
| Interfund receivables | - | - | - | - |
| Investments | - | - | - | - |
| Restricted investments | - | - | - | - |
| Inventory | - | - | - | - |
| Total assets | <u>\$ 1,846,140</u> | <u>\$ 757</u> | <u>\$ 44,121</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | - | 757 | 44,121 | - |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>-</u> | <u>757</u> | <u>44,121</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>-</u> | <u>757</u> | <u>44,121</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for | | | | |
| General fund | - | - | - | - |
| Special revenue | 1,846,140 | - | - | - |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances | <u>1,846,140</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 1,846,140</u> | <u>\$ 757</u> | <u>\$ 44,121</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

| | <i>Fund 26184</i> | <i>Fund 26217</i> | <i>Fund 27103</i> | <i>Fund 27107</i> |
|--|------------------------------|----------------------|---|------------------------------------|
| | Clovis Schools Foundation | Albertson's Grant | Dual Credit Instructional Materials | 2012 GO Bond Student Library |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,928 | \$ - | \$ - | \$ - |
| Restricted cash and cash equivalents | - | - | - | - |
| Accounts receivable, collectible | | | | |
| Taxes | - | - | - | - |
| Due from other governments | - | - | 7,658 | 64,075 |
| Other receivables | - | - | - | - |
| Interfund receivables | - | - | - | - |
| Investments | - | - | - | - |
| Restricted investments | - | - | - | - |
| Inventory | - | - | - | - |
| Total assets | <u>\$ 3,928</u> | <u>\$ -</u> | <u>\$ 7,658</u> | <u>\$ 64,075</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | - | - | 7,658 | 64,075 |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>7,658</u> | <u>64,075</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>-</u> | <u>-</u> | <u>7,658</u> | <u>64,075</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for | | | | |
| General fund | - | - | - | - |
| Special revenue | 3,928 | - | - | - |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances | <u>3,928</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 3,928</u> | <u>\$ -</u> | <u>\$ 7,658</u> | <u>\$ 64,075</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

| | <i>Fund 27128</i> Teacher Recruitment Initiative | <i>Fund 27141</i> Truancy Initiative PED | <i>Fund 27149</i> Pre-K | <i>Fund 27155</i> Breakfast for Elementary Students |
|--|---|---|----------------------------|--|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| Restricted cash and cash equivalents | - | - | - | - |
| Accounts receivable, collectible | | | | |
| Taxes | - | - | - | - |
| Due from other governments | 23,653 | 51,519 | 109,730 | 10,056 |
| Other receivables | - | - | - | - |
| Interfund receivables | - | - | - | - |
| Investments | - | - | - | - |
| Restricted investments | - | - | - | - |
| Inventory | - | - | - | - |
| Total assets | <u>\$ 23,653</u> | <u>\$ 51,519</u> | <u>\$ 109,730</u> | <u>\$ 10,056</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | 23,653 | 51,519 | 109,730 | 10,056 |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>23,653</u> | <u>51,519</u> | <u>109,730</u> | <u>10,056</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>23,653</u> | <u>51,519</u> | <u>109,730</u> | <u>10,056</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for | | | | |
| General fund | - | - | - | - |
| Special revenue | - | - | - | - |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 23,653</u> | <u>\$ 51,519</u> | <u>\$ 109,730</u> | <u>\$ 10,056</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

| | <i>Fund 27166</i> Kindergarten Three Plus | <i>Fund 27168</i> After School Enrichment Program | <i>Fund 27188</i> Teacher and School Leader Incentive Pay | <i>Fund 27193</i> Parent Advocacy |
|--|--|--|--|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| Restricted cash and cash equivalents | - | - | - | - |
| Accounts receivable, collectible | | | | |
| Taxes | - | - | - | - |
| Due from other governments | 75,041 | 15,234 | - | - |
| Other receivables | - | - | - | - |
| Interfund receivables | - | - | - | - |
| Investments | - | - | - | - |
| Restricted investments | - | - | - | - |
| Inventory | - | - | - | - |
| Total assets | <u>\$ 75,041</u> | <u>\$ 15,234</u> | <u>\$ -</u> | <u>\$ -</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | 75,041 | 15,234 | - | - |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>75,041</u> | <u>15,234</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>75,041</u> | <u>15,234</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for | | | | |
| General fund | - | - | - | - |
| Special revenue | - | - | - | - |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 75,041</u> | <u>\$ 15,234</u> | <u>\$ -</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

| | <i>Fund 27195</i> Hard to Staff Teachers | <i>Fund 27198</i> K3+4&5 Pilot Program | <i>Fund 29102</i> Private Direct Grants | <i>Fund 29135</i> Industrial Revenue Bonds PILOT |
|--|---|--|--|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 63,400 |
| Restricted cash and cash equivalents | - | - | - | - |
| Accounts receivable, collectible | | | | |
| Taxes | - | - | - | - |
| Due from other governments | - | 33,141 | - | - |
| Other receivables | - | - | - | - |
| Interfund receivables | - | - | - | - |
| Investments | - | - | - | - |
| Restricted investments | - | - | - | - |
| Inventory | - | - | - | - |
| Total assets | <u>\$ -</u> | <u>\$ 33,141</u> | <u>\$ -</u> | <u>\$ 63,400</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | - | 33,141 | - | - |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>-</u> | <u>33,141</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>-</u> | <u>33,141</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for | | | | |
| General fund | - | - | - | - |
| Special revenue | - | - | - | 63,400 |
| Capital projects | - | - | - | - |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>63,400</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ -</u> | <u>\$ 33,141</u> | <u>\$ -</u> | <u>\$ 63,400</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018**

| | Total |
|--|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,957,282 |
| Restricted cash and cash equivalents | - |
| Accounts receivable, collectible | |
| Taxes | - |
| Due from other governments | 721,535 |
| Other receivables | 47,321 |
| Interfund receivables | - |
| Investments | - |
| Restricted investments | - |
| Inventory | - |
| Total assets | \$ 2,726,138 |
| LIABILITIES | |
| Accounts payable | \$ - |
| Accrued payroll liabilities | - |
| Interfund payables | 688,851 |
| Unearned revenues | - |
| Total liabilities | 688,851 |
| DEFERRED INFLOWS OF RESOURCES | |
| Delinquent property taxes | - |
| Total liabilities and deferred inflows of resources | 688,851 |
| FUND BALANCES | |
| Nonspendable | - |
| Restricted for | |
| General fund | - |
| Special revenue | 2,037,287 |
| Capital projects | - |
| Debt service | - |
| Assigned | - |
| Unassigned | - |
| Total fund balances | 2,037,287 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 2,726,138 |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | <i>Fund 22000</i> | <i>Fund 24103</i> | <i>Fund 24108</i> | <i>Fund 24109</i> |
|--|-------------------|-------------------------------|-----------------------|---------------------|
| | Athletics | Migrant Children Education | IDEA-B Competitive | IDEA-B Preschool |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | - | - |
| Federal grants | - | 27,158 | 1,511 | 29,472 |
| Miscellaneous | 154 | - | - | - |
| Charges for services | 173,210 | - | - | - |
| Interest | - | - | - | - |
| Total revenues | <u>173,364</u> | <u>27,158</u> | <u>1,511</u> | <u>29,472</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 199,334 | 4,523 | 1,331 | 1,904 |
| Support services | | | | |
| Students | - | 20,407 | - | 26,762 |
| Instruction | - | - | - | - |
| General administration | - | 1,289 | 180 | 806 |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | 939 | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>199,334</u> | <u>27,158</u> | <u>1,511</u> | <u>29,472</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(25,970)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuances | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>(25,970)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | <u>88,365</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 62,395</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| | <i>Fund 24112</i> | <i>Fund 24132</i> | <i>Fund 24153</i> | <i>Fund 24154</i> |
|--|---------------------------------|---------------------------|------------------------------------|---|
| | IDEA-B Early Intervention | IDEA-B Results Plan | English Language Acquisition | Teacher/Principal Training & Recruiting |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | - | - |
| Federal grants | 124,785 | 96,013 | 85,539 | 328,964 |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | <u>124,785</u> | <u>96,013</u> | <u>85,539</u> | <u>328,964</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | - | 96,013 | 79,397 | 273,488 |
| Support services | | | | |
| Students | 121,374 | - | 91 | 2,909 |
| Instruction | - | - | - | 618 |
| General administration | 3,411 | - | 1,680 | 8,733 |
| School administration | - | - | 2,196 | 374 |
| Central services | - | - | 2,175 | 42,842 |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>124,785</u> | <u>96,013</u> | <u>85,539</u> | <u>328,964</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuances | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| | <i>Fund 24174</i> Carl D Perkins Secondary Current | <i>Fund 24176</i> Carl D Perkins Secondary Redistribution | <i>Fund 24187</i> Migrant Regional Recruiting | <i>Fund 25145</i> Impact Aid Special Education |
|--|---|--|--|---|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | - | - |
| Federal grants | 85,077 | 6,861 | 48,150 | 26,100 |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | <u>85,077</u> | <u>6,861</u> | <u>48,150</u> | <u>26,100</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 78,468 | 6,673 | - | 2,479 |
| Support services | | | | |
| Students | 2,060 | - | 46,183 | 30,340 |
| Instruction | - | - | - | - |
| General administration | 2,325 | 188 | 1,316 | 1,282 |
| School administration | 2,224 | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | 651 | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>85,077</u> | <u>6,861</u> | <u>48,150</u> | <u>34,101</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>(8,001)</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuances | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>(8,001)</u> |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>69,425</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 61,424</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| | <i>Fund 25153</i> | <i>Fund 25200</i> | <i>Fund 26103</i> | <i>Fund 26148</i> |
|--|-----------------------|-------------------|-------------------|-----------------------------|
| | Title XIX Medicaid | ROTC | ENLACE UNM | Walton Family Foundation |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | - | - |
| Federal grants | 1,093,946 | 6,608 | - | - |
| Miscellaneous | - | - | 124,013 | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | <u>1,093,946</u> | <u>6,608</u> | <u>124,013</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 833 | 6,608 | 70,679 | - |
| Support services | | | | |
| Students | 805,851 | - | 46,880 | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | 6,454 | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>806,684</u> | <u>6,608</u> | <u>124,013</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>287,262</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuances | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | 287,262 | - | - | - |
| Fund balances, beginning of year | <u>1,558,878</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 1,846,140</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| | <i>Fund 26184</i> | <i>Fund 26217</i> | <i>Fund 27103</i> | <i>Fund 27107</i> |
|--|------------------------------|----------------------|---|------------------------------------|
| | Clovis Schools Foundation | Albertson's Grant | Dual Credit Instructional Materials | 2012 GO Bond Student Library |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | - | - | 30,190 | 68,226 |
| Federal grants | - | - | - | - |
| Miscellaneous | 31,057 | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | <u>31,057</u> | <u>-</u> | <u>30,190</u> | <u>68,226</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 31,210 | 1,000 | 30,190 | - |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | 4,950 | - | - | 68,226 |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>36,160</u> | <u>1,000</u> | <u>30,190</u> | <u>68,226</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,103)</u> | <u>(1,000)</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuances | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | (5,103) | (1,000) | - | - |
| Fund balances, beginning of year | <u>9,031</u> | <u>1,000</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 3,928</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| | <i>Fund 27128</i> Teacher Recruitment Initiative | <i>Fund 27141</i> Truancy Initiative PED | <i>Fund 27149</i> Pre-K | <i>Fund 27155</i> Breakfast for Elementary Students |
|--|---|---|----------------------------|--|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | 23,653 | 167,678 | 109,730 | 105,159 |
| Federal grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | <u>23,653</u> | <u>167,678</u> | <u>109,730</u> | <u>105,159</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | - | - | 109,730 | - |
| Support services | | | | |
| Students | - | 167,512 | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | 166 | - | - |
| Central services | 23,653 | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | 105,159 |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>23,653</u> | <u>167,678</u> | <u>109,730</u> | <u>105,159</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuances | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| | <i>Fund 27166</i> Kindergarten Three Plus | <i>Fund 27168</i> After School Enrichment Program | <i>Fund 27188</i> Teacher and School Leader Incentive Pay | <i>Fund 27193</i> Parent Advocacy |
|--|--|--|--|---|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | 334,537 | 28,590 | 219,283 | - |
| Federal grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | <u>334,537</u> | <u>28,590</u> | <u>219,283</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 281,814 | 26,938 | 207,980 | - |
| Support services | | | | |
| Students | 11,828 | - | - | - |
| Instruction | 6,154 | - | - | - |
| General administration | - | 1,652 | - | - |
| School administration | 30,568 | - | 11,303 | - |
| Central services | 236 | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | 4,012 | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>334,612</u> | <u>28,590</u> | <u>219,283</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(75)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuances | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>(75)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | <u>75</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| | <i>Fund 27195</i> Hard to Staff Teachers | <i>Fund 27198</i> K3, 4-5 Pilot Program | <i>Fund 29102</i> Private Direct Grants | <i>Fund 29135</i> Industrial Revenue Bonds PILOT |
|--|---|---|--|---|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | 34,944 | 33,142 | - | - |
| Federal grants | - | - | - | - |
| Miscellaneous | - | - | 500 | 63,400 |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | <u>34,944</u> | <u>33,142</u> | <u>500</u> | <u>63,400</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 34,944 | 25,592 | 4,544 | - |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | 3,538 | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | 4,012 | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>34,944</u> | <u>33,142</u> | <u>4,544</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>(4,044)</u> | <u>63,400</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuances | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>-</u> | <u>-</u> | <u>(4,044)</u> | <u>63,400</u> |
| Fund balances, beginning of year | <u>-</u> | <u>-</u> | <u>4,044</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 63,400</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

| | Total |
|--|--------------|
| REVENUES | |
| Property taxes | \$ - |
| State grants | 1,155,132 |
| Federal grants | 1,960,184 |
| Miscellaneous | 219,124 |
| Charges for services | 173,210 |
| Interest | - |
| Total revenues | 3,507,650 |
| EXPENDITURES | |
| Current | |
| Instruction | 1,575,672 |
| Support services | |
| Students | 1,282,197 |
| Instruction | 79,948 |
| General administration | 22,862 |
| School administration | 50,369 |
| Central services | 68,906 |
| Operation & maintenance of plant | - |
| Student transportation | 8,675 |
| Other support services | - |
| Food services operations | 105,159 |
| Community services | 7,393 |
| Capital outlay | - |
| Debt service | |
| Principal | - |
| Interest | - |
| Total expenditures | 3,201,181 |
| Excess (deficiency) of revenues over (under) expenditures | 306,469 |
| Other financing sources | |
| Operating transfers | - |
| Proceeds from bond issuances | - |
| Bond underwriter discount | - |
| Bond underwriter premium | - |
| Total other financing sources | - |
| Net changes in fund balances | 306,469 |
| Fund balances, beginning of year | 1,730,818 |
| Fund balances, end of year | \$ 2,037,287 |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NONMAJOR CAPITAL PROJECTS FUNDS – FUND DESCRIPTIONS
JUNE 30, 2018**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The District has the following separate funds classified as Capital Projects Funds:

Special Capital Outlay - Local (Fund 31300). This fund is used to account revenues that are derived from local sources such as the sale of a building.

Special Capital Outlay - State Match (Fund 31700) The fund is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018**

| | <i>Fund 31200</i> | <i>Fund 31300</i> | <i>Fund 31700</i> | |
|--|---------------------------------|--|---|-------------------|
| | Public School Capital Outlay | Public School Capital Outlay Local | Capital Improvements SB-9 State Match | Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - |
| Restricted cash and cash equivalents | - | 412,800 | - | 412,800 |
| Accounts receivable, collectible | | | | - |
| Taxes | - | - | - | - |
| Due from other governments | - | - | 66,617 | 66,617 |
| Other receivables | - | - | - | - |
| Interfund receivables | - | - | - | - |
| Inventory | - | - | - | - |
| Total assets | <u>\$ -</u> | <u>\$ 412,800</u> | <u>\$ 66,617</u> | <u>\$ 479,417</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll liabilities | - | - | - | - |
| Interfund payables | - | - | 66,617 | 66,617 |
| Unearned revenues | - | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>66,617</u> | <u>66,617</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Delinquent property taxes | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>-</u> | <u>-</u> | <u>66,617</u> | <u>66,617</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted for | | | | |
| General fund | - | - | - | - |
| Special revenue | - | - | - | - |
| Capital projects | - | 412,800 | - | 412,800 |
| Debt service | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total fund balances | <u>-</u> | <u>412,800</u> | <u>-</u> | <u>412,800</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ -</u> | <u>\$ 412,800</u> | <u>\$ 66,617</u> | <u>\$ 479,417</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | <i>Fund 31200</i> Public School Capital Outlay State | <i>Fund 31300</i> Public School Capital Outlay Local | <i>Fund 31700</i> Capital Improvements SB-9 State Match | Total |
|---|---|---|--|-------------------|
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| State grants | 7,855,557 | - | 532,407 | 8,387,964 |
| Federal grants | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Charges for services | - | - | - | - |
| Interest | - | - | - | - |
| Total revenues | <u>7,855,557</u> | <u>-</u> | <u>532,407</u> | <u>8,387,964</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | - | - | - | - |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | 7,855,557 | - | 532,407 | 8,387,964 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>7,855,557</u> | <u>-</u> | <u>532,407</u> | <u>8,387,964</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issues | - | - | - | - |
| Bond underwriter discount | - | - | - | - |
| Bond underwriter premium | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | - | - | - | - |
| Fund balances, beginning of year | - | 412,800 | - | 412,800 |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ 412,800</u> | <u>\$ -</u> | <u>\$ 412,800</u> |

OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

| | Balance June 30, 2017 | Additions | Deletions | Transfers | Balance June 30, 2018 |
|----------------------------|--------------------------|---------------------|-----------------------|-------------|--------------------------|
| Barry Elementary | \$ 14,359 | \$ 41,259 | \$ (33,588) | \$ 11,479 | \$ 33,509 |
| Bella Vista Elementary | 10,617 | 9,591 | (8,770) | - | 11,438 |
| Cameo Elementary | 13,035 | 13,948 | (12,750) | - | 14,233 |
| Central Office | 139,165 | 90,874 | (82,399) | - | 147,640 |
| Clovis High School | 395,721 | 835,568 | (866,589) | - | 364,700 |
| Freshman Academy | 61,964 | 54,906 | (61,285) | - | 55,585 |
| Gattis Middle School | 45,388 | 72,582 | (75,532) | - | 42,438 |
| Highland Elementary | 18,413 | 2,432 | (1,570) | - | 19,275 |
| James Bickley Elementary | 16,127 | 7,551 | (8,427) | - | 15,251 |
| La Casita Elementary | 17,391 | 14,623 | (22,038) | - | 9,976 |
| Lincoln Jackson Elementary | 29,678 | 16,652 | (13,135) | - | 33,195 |
| Lockwood Elementary | 12,325 | 22,635 | (21,148) | - | 13,812 |
| Los Niño's Intervention | 60,828 | 23,725 | (14,062) | - | 70,491 |
| Marshall Junior High | 35,970 | 64,555 | (58,951) | - | 41,574 |
| Mesa Elementary | 33,322 | 64,677 | (66,826) | 464 | 31,637 |
| Parkview Elementary | 12,483 | 29,867 | (29,643) | 69 | 12,776 |
| Ranchvale Elementary | 12,808 | - | - | (12,808) | - |
| Sandia Elementary | 26,798 | 34,536 | (38,214) | 730 | 23,850 |
| Scholarship | 160,051 | 6,949 | (6,520) | - | 160,480 |
| Student Support Center | 1,913 | 307 | (298) | - | 1,922 |
| Yucca Junior High | 34,033 | 73,721 | (73,744) | - | 34,010 |
| Zia Elementary | 50,645 | 58,953 | (59,791) | 66 | 49,873 |
| Total All Schools | <u>\$ 1,203,034</u> | <u>\$ 1,539,911</u> | <u>\$ (1,555,280)</u> | <u>\$ -</u> | <u>\$ 1,187,665</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY
DEPOSITORY FOR PUBLIC FUNDS
AS OF JUNE 30, 2018**

| Name of Depository | Description of Pledged Collateral | Fair Market Value June 30, 2018 | Name and Location of Safe Keeper |
|---|--|---------------------------------------|---|
| Citizen's Bank of Clovis | GNMA II Pool #MA0213 CUSIP 36179MGW4 3.00% Due 07/20/2042 | \$ 1,016,872 | Texas Independent Bank Dallas, Texas |
| Citizen's Bank of Clovis | GNMA II Pool #MA0775 CUSIP 36179M2G4 3.00% Due 02/20/2043 | 1,281,434 | Texas Independent Bank Dallas, Texas |
| Citizen's Bank of Clovis | GNMA MA3610 CUSIP 36179SAK3 3.00% Due 04/20/2046 | 1,675,704 | Texas Independent Bank Dallas, Texas |
| Citizen's Bank of Clovis | GNMA MA3688 CUSIP 36179SCZ8 2.00% Due 05/20/2046 | 1,767,004 | Texas Independent Bank Dallas, Texas |
| Citizen's Bank of Clovis | GNMA GNR 2012-17 CD CUSIP 38378DBL8 4.00% Due 09/20/2040 | 733,998 | Texas Independent Bank Dallas, Texas |
| Citizen's Bank of Clovis | GNMA GNR 2013-41 KE CUSIP 38378JR79 3.00% Due 10/20/2042 | <u>525,257</u> | Texas Independent Bank Dallas, Texas |
| Subtotal Citizen's Bank of Clovis | | <u>7,000,269</u> | |
| New Mexico Bank & Trust | UNITED STATES TREASURY CUSIP 912828W30 1.50% Due 02/28/2019 | 2,099,468 | SunTrust Bank Atlanta, Georgia |
| New Mexico Bank & Trust | US SBA POOL 522327 CUSIP 83165AYY4 5.933% Due 05/25/2029 | <u>3,690,815</u> | SunTrust Bank Atlanta, Georgia |
| Subtotal New Mexico Bank & Trust | | <u>5,790,283</u> | |
| Western Bank of Clovis | FHLMC GOLD G08737, 3128MJZB9 CUSIP 1393000065 3.00% Due 12/01/2046 | 888,792 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | FHLMC GOLD G08741, 3128MJZF0 CUSIP 1393000063 3.00% Due 01/01/2047 | 879,054 | Federal Home Loan Bank Dallas, Texas |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY
DEPOSITORY FOR PUBLIC FUNDS (CONTINUED)
AS OF JUNE 30, 2018**

| Name of Depository | Description of Pledged Collateral | Fair Market Value June 30, 2018 | Name and Location of Safe Keeper |
|------------------------|---|---------------------------------------|---|
| Western Bank of Clovis | FNMA AR2626, 3138NY4L6 CUSIP 1393000061 2.50% Due 02/01/2043 | \$ 740,868 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | FNMA MA0614, 31417YVG9 CUSIP 1393000034 4.00% Due 01/01/2041 | 115,301 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | FNMA 2496, 31418BX27 CUSIP 1393000059 3.00% Due 01/01/2036 | 1,326,748 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA II MA4116, 36179SSD0 CUSIP 7016001769 3.00% Due 12/20/2046 | 833,671 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA II 004597, 36202FDA1 CUSIP 9932002552 4.00% Due 12/20/2039 | 115,295 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA II ARM #008062, 36202J5X2 CUSIP 3890013566 Variable Int Due 10/20/2022 | 10,717 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA II ARM #008096, 36202J7H5 CUSIP 3890014163 Variable Int Due 12/20/2022 | 15,063 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA II ARM #008889, 36202K2W4 CUSIP 4321014354 Variable Int Due 12/20/2021 | 12,737 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA II 080781, 36225C2P0 CUSIP 3890015244 Variable Int Due 12/20/2033 | 13,160 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA II ARM 080156, 36225CE69 CUSIP 812000061 Variable Int Due 01/20/2028 | 12,084 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA II ARM 080204, 36225CGN0 CUSIP 4321014313 Variable Int Due 06/20/2028 | 13,274 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA II ARM 080230, 36225CHG4 CUSIP 3890009556 Variable Int Due 10/20/2028 | 28,400 | Federal Home Loan Bank Dallas, Texas |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY
DEPOSITORY FOR PUBLIC FUNDS (CONTINUED)
AS OF JUNE 30, 2018**

| Name of Depository | Description of Pledged Collateral | Fair Market Value June 30, 2018 | Name and Location of Safe Keeper |
|--|--|---------------------------------------|---|
| Western Bank of Clovis | GNMA II ARM 080272, 36225CJS6 CUSIP 4321014314 Variable Int Due 04/20/2029 | \$ 11,568 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA FN MA3312, 31418VCE1 CUSIP 31418VCE1 3.00% Due 03/01/2033 | 491,025 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | US SBAP 2009-20F 1, 83162CSP9 CUSIP 1393000022 Variable Int Due 06/01/2029 | 135,564 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | US SBAP 2010-20D 1, 83162CTE3 CUSIP 190006492 Variable Int Due 04/01/2030 | 329,050 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | GNMA FG G18681, 3128MMXK4 CUSIP 1393000070 3.00% Due 03/01/2033 | 484,677 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | FNMA 2920, 31418CG65 CUSIP 31418CG65 3.00% Due 03/01/2047 | 912,200 | Federal Home Loan Bank Dallas, Texas |
| Western Bank of Clovis | US SBAP 2012-20B 1, 83162CUP6 CUSIP 1393000037 Variable Int Due 02/01/2032 | <u>195,684</u> | Federal Home Loan Bank Dallas, Texas |
| Subtotal Western Bank of Clovis | | <u>7,564,932</u> | |
| Bank of Clovis | FNMA FNR 2012-117 DC CUSIP 3136A8M56 3.00% Due 01/25/2038 | 869,677 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | West Las Vegas SD #1 NM 19 CUSIP 953769JX5 2.75% Due 08/15/2019 | 250,363 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | Santa Rosa SD 8 NM 20 CUSIP 802751DS3 2.00% Due 05/15/2020 | 374,794 | Plains Capital Bank Lubbock, Texas |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY
DEPOSITORY FOR PUBLIC FUNDS (CONTINUED)
AS OF JUNE 30, 2018**

| Name of Depository | Description of Pledged Collateral | Fair Market Value June 30, 2018 | Name and Location of Safe Keeper |
|--------------------|--|---------------------------------------|---------------------------------------|
| Bank of Clovis | Taos Gross Receipts NM 23 CUSIP 87601RAL4 4.10% Due 06/01/2023 | \$ 545,954 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | Alamogordo Muni SD #1 NM 2 CUSIP 011464HN7 2.50% Due 08/01/2025 | 600,006 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | Clovis Gross Receipts NM 26 CUSIP 189387DH3 2.40% Due 06/01/2026 | 429,374 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC 15 YR CUSIP 3128MD3J0 3.50% Due 10/01/2028 | 404,479 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC Conv 15 High LTV bigger CUSIP 3132LKAY6 3.50% Due 08/01/2030 | 767,628 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC High LTV > 125% CUSIP 3132G5B57 3.50% Due 01/01/2031 | 806,336 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC 20 YR CUSIP 3128P7RE5 4.00% Due 08/01/2031 | 503,462 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC FHR 4240 A CUSIP 3137B3TW8 3.00% Due 08/15/2031 | 605,958 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA 20 YR CUSIP 31417Y6Q5 4.00% Due 10/01/2031 | 618,855 | Plains Capital Bank Lubbock, Texas |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY
DEPOSITORY FOR PUBLIC FUNDS (CONTINUED)
AS OF JUNE 30, 2018**

| Name of Depository | Description of Pledged Collateral | Fair Market Value June 30, 2018 | Name and Location of Safe Keeper |
|--------------------|---|---------------------------------------|---------------------------------------|
| Bank of Clovis | FNMA 20 YR CUSIP 31418AAJ7 4.00% Due 11/01/2031 | \$ 566,024 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA 20 YR CUSIP 3138ETBH8 4.00% Due 02/01/2032 | 1,182,036 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA 20 YR CUSIP 3138ENTQ2 4.00% Due 03/01/2032 | 470,852 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC FHR 2881 AE CUSIP 31395J5C6 5.00% Due 08/15/2034 | 58,150 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA Conv <30 Mtg CUSIP 3138EPNB6 4.00% Due 01/01/2035 | 663,197 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | GNMA II 5x1 CUSIP 36225DQM9 2.63% Due 05/20/2035 | 203,246 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA FNR 2009-82 QA CUSIP 31398FPM7 4.00% Due 08/25/2035 | 116,850 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC FHR 3910 JG CUSIP 3137AELV5 2.75% Due 12/15/2037 | 360,520 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA FNR 2013-127 LA CUSIP 3136AHAZ3 2.50% Due 05/25/2039 | 358,244 | Plains Capital Bank Lubbock, Texas |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY
DEPOSITORY FOR PUBLIC FUNDS (CONTINUED)
AS OF JUNE 30, 2018**

| Name of Depository | Description of Pledged Collateral | Fair Market Value June 30, 2018 | Name and Location of Safe Keeper |
|--------------------|---|---------------------------------------|---------------------------------------|
| Bank of Clovis | FHLMC FHR 4012 KE CUSIP 3137AMP50 3.00% Due 07/15/2039 | \$ 417,846 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | GNMA GNR 2016-58 TA CUSIP 38379WXJ6 2.00% Due 12/20/2039 | 686,731 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC FHR 3984 MA CUSIP 3137AKF30 2.00% Due 01/15/2040 | 322,175 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC FHR 3819 GA CUSIP 3137A8LT3 2.00% Due 06/15/2040 | 421,494 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA FNR 2012-113 PB CUSIP 3136A8V64 2.00% Due 10/25/2040 | 507,035 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA FNR 2011-73 PA CUSIP 3136A0US4 3.50% Due 05/25/2041 | 523,579 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC FHR 4016 CA CUSIP 3137AN5X9 2.00% Due 07/15/2041 | 525,708 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC FHR 4027 TA CUSIP 3137ANTK1 3.50% Due 07/15/2041 | 586,788 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC FHR 4253 PA CUSIP 3137B4KW5 3.50% Due 08/15/2041 | 451,310 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | GNMA GNR 2011-156 MA CUSIP 38378A3G4 2.00% Due 09/16/2041 | 326,088 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA FNR 2012-73 JB CUSIP 3136A65G5 3.50% Due 01/25/2042 | 568,923 | Plains Capital Bank Lubbock, Texas |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY
DEPOSITORY FOR PUBLIC FUNDS (CONTINUED)
AS OF JUNE 30, 2018**

| Name of Depository | Description of Pledged Collateral | Fair Market Value June 30, 2018 | Name and Location of Safe Keeper |
|--------------------------------|--|---------------------------------------|---------------------------------------|
| Bank of Clovis | FHLMC FHR 4238 DG CUSIP 3137B4CB0 3.00% Due 02/15/2042 | \$ 772,530 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA FNR 2014-40 EP CUSIP 3136AKMJ9 3.50% Due 10/25/2042 | 725,537 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FHLMC FHR 4579 BA CUSIP 3137BPP29 3.00% Due 01/15/2043 | 723,520 | Plains Capital Bank Lubbock, Texas |
| Bank of Clovis | FNMA FNR 2014-38 QD CUSIP 3136AKNRO 2.00% Due 12/25/2043 | <u>449,640</u> | Plains Capital Bank Lubbock, Texas |
| Subtotal Bank of Clovis | | <u>18,764,909</u> | |
| Total All Banks | | <u><u>\$ 39,120,393</u></u> | |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
AS OF JUNE 30, 2018**

| Bank Account Type | Bank of Clovis | NM Bank & Trust | Western Bank of Clovis | Citizen's Bank of Clovis | Total |
|--|----------------------|---------------------|------------------------------|--------------------------------|----------------------|
| Checking - General Account | \$ 6,055,976 | \$ - | \$ - | \$ - | \$ 6,055,976 |
| Checking - Activity | 33,575 | - | - | - | 33,575 |
| Checking - Bond Building | 4,385,902 | - | - | - | 4,385,902 |
| Checking - Operational | 1,048,370 | - | - | - | 1,048,370 |
| Certificate of Deposit - Activity | 635,141 | - | - | - | 635,141 |
| Certificate of Deposit - Operational | 5,292,842 | - | - | - | 5,292,842 |
| Checking - General Building | - | 2,442,733 | - | - | 2,442,733 |
| Checking - Accounts Payable | - | 404,229 | - | - | 404,229 |
| Checking - SB-9 | - | - | 4,512,999 | - | 4,512,999 |
| Checking - Debt Service | - | - | 2,752,903 | - | 2,752,903 |
| Checking - Payroll Account | - | - | - | 4,942,345 | 4,942,345 |
| Checking - Food Services | - | - | - | 3,226,157 | 3,226,157 |
| Checking - Activity | - | - | - | 618,887 | 618,887 |
| Total on Deposit | 17,451,806 | 2,846,962 | 7,265,902 | 8,787,389 | 36,352,059 |
| Reconciling Items | (50,231) | (404,204) | - | (4,259,220) | (4,713,655) |
| Reconciled Balance, June 30, 2018 | <u>\$ 17,401,575</u> | <u>\$ 2,442,758</u> | <u>\$ 7,265,902</u> | <u>\$ 4,528,169</u> | 31,638,404 |
| Plus: Petty Cash | | | | | <u>140</u> |
| Cash (includes restricted) per Government-wide Financial Statements and Agency Funds | | | | | <u>\$ 31,638,544</u> |

Checking accounts with the Bank of Clovis, NM Bank & Trust, and Citizen's Bank of Clovis are non-interest bearing

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION
YEAR ENDED JUNE 30, 2018**

| | <i>Fund 11000</i> | <i>Fund 13000</i> | <i>Fund 14000</i> |
|-------------------------------------|----------------------------|---------------------------|----------------------------|
| | Operational | Transportation Account | Instructional Materials |
| Cash balance,* June 30, 2017 | \$ 8,405,057 | \$ - | \$ 836,752 |
| Additions to cash | | | |
| 2016-17 revenue | 59,414,520 | 2,063,396 | 253,419 |
| Receipt of prior year loans | 1,872,309 | - | - |
| Transfer from other funds | - | - | - |
| Loans from other funds | - | - | - |
| Total additions to cash | <u>69,691,886</u> | <u>2,063,396</u> | <u>1,090,171</u> |
| Deductions to cash | | | |
| 2016-17 expenditures | 59,416,928 | 2,063,396 | 589,478 |
| Repayment of loans | - | - | - |
| Transfer to other funds | - | - | - |
| Loans to other funds | 1,851,927 | - | - |
| Total deductions to cash | <u>61,268,855</u> | <u>2,063,396</u> | <u>589,478</u> |
| Change due to held checks | <u>775,662</u> | - | - |
| Cash balance,* June 30, 2018 | <u><u>\$ 9,198,693</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 500,693</u></u> |

*Cash balances include cash and restricted cash.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
YEAR ENDED JUNE 30, 2018**

| | <i>Fund 21000</i> | <i>Fund 22000</i> | <i>Fund 24000</i> |
|-------------------------------------|---------------------|----------------------|-------------------------|
| | Food Services | Athletics Account | Federal Flow-through |
| Cash balance,* June 30, 2017 | \$ 3,055,516 | \$ 88,365 | \$ - |
| Additions to cash | | | |
| 2016-17 revenue | 4,007,173 | 173,364 | 4,648,632 |
| Receipt of prior year loans | - | - | - |
| Transfer from other funds | - | - | - |
| Loans from other funds | - | - | 1,350,324 |
| Total additions to cash | <u>7,062,689</u> | <u>261,729</u> | <u>5,998,956</u> |
| Deductions to cash | | | |
| 2016-17 expenditures | 3,891,525 | 199,334 | 4,528,137 |
| Repayment of loans | - | - | 1,470,819 |
| Transfer to other funds | - | - | - |
| Loans to other funds | - | - | - |
| Total deductions to cash | <u>3,891,525</u> | <u>199,334</u> | <u>5,998,956</u> |
| Change due to held checks | - | - | - |
| Cash balance,* June 30, 2018 | <u>\$ 3,171,164</u> | <u>\$ 62,395</u> | <u>\$ -</u> |

*Cash balances include cash and restricted cash.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
YEAR ENDED JUNE 30, 2018**

| | <i>Fund 25000</i> | <i>Fund 26000</i> | <i>Fund 27000</i> |
|-------------------------------------|---------------------|-------------------|-----------------------|
| | Federal Direct | Local Grants | State Flow-through |
| Cash balance,* June 30, 2017 | \$ 1,547,302 | \$ 10,031 | \$ 75 |
| Additions to cash | | | |
| 2016-17 revenue | 1,134,373 | 162,208 | 806,207 |
| Receipt of prior year loans | - | - | - |
| Transfer from other funds | - | - | - |
| Loans from other funds | 757 | 44,121 | 390,107 |
| Total additions to cash | <u>2,682,432</u> | <u>216,360</u> | <u>1,196,389</u> |
| Deductions to cash | | | |
| 2016-17 expenditures | 847,393 | 161,172 | 1,155,207 |
| Repayment of loans | 7,480 | 51,259 | 41,182 |
| Transfer to other funds | - | - | - |
| Loans to other funds | - | - | - |
| Total deductions to cash | <u>854,873</u> | <u>212,431</u> | <u>1,196,389</u> |
| Change due to held checks | - | - | - |
| Cash balance,* June 30, 2018 | <u>\$ 1,827,559</u> | <u>\$ 3,929</u> | <u>\$ -</u> |

*Cash balances include cash and restricted cash.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
YEAR ENDED JUNE 30, 2018**

| | <i>Fund 28000</i> | <i>Fund 29000</i> | <i>Fund 31100</i> |
|-------------------------------------|--------------------|-------------------------|----------------------------|
| | State Direct | Local/ State | Bond Building State |
| Cash balance,* June 30, 2017 | \$ - | \$ 4,044 | \$ 7,668,307 |
| Additions to cash | | | |
| 2016-17 revenue | - | 63,900 | 5,012,315 |
| Receipt of prior year loans | - | - | - |
| Transfer from other funds | - | - | - |
| Loans from other funds | - | - | - |
| Total additions to cash | <u>-</u> | <u>67,944</u> | <u>12,680,622</u> |
| Deductions to cash | | | |
| 2016-17 expenditures | - | 4,544 | 7,876,638 |
| Repayment of loans | - | - | - |
| Transfer to other funds | - | - | - |
| Loans to other funds | - | - | - |
| Total deductions to cash | <u>-</u> | <u>4,544</u> | <u>7,876,638</u> |
| Change due to held checks | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash balance,* June 30, 2018 | <u><u>\$ -</u></u> | <u><u>\$ 63,400</u></u> | <u><u>\$ 4,803,984</u></u> |

*Cash balances include cash and restricted cash.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
YEAR ENDED JUNE 30, 2018**

| | <i>Fund 31200</i> | <i>Fund 31300</i> | <i>Fund 31700</i> |
|-------------------------------------|---------------------------------|--|---------------------------------|
| | Public School Capital Outlay | Public School Capital Outlay Local | Capital Improvements SB 9 |
| | <u> </u> | <u> </u> | <u> </u> |
| Cash balance,* June 30, 2017 | \$ - | \$ 412,800 | \$ - |
| Additions to cash | | | |
| 2016-17 revenue | - | - | 787,933 |
| Receipt of prior year loans | - | - | - |
| Transfer from other funds | - | - | - |
| Loans from other funds | - | - | 66,617 |
| Total additions to cash | <u>-</u> | <u>412,800</u> | <u>854,550</u> |
| Deductions to cash | | | |
| 2016-17 expenditures | - | - | 552,981 |
| Repayment of loans | - | - | 301,569 |
| Transfer to other funds | - | - | - |
| Loans to other funds | - | - | - |
| Total deductions to cash | <u>-</u> | <u>-</u> | <u>854,550</u> |
| Change due to held checks | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash balance,* June 30, 2018 | <u>\$ -</u> | <u>\$ 412,800</u> | <u>\$ -</u> |

*Cash balances include cash and restricted cash.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
YEAR ENDED JUNE 30, 2018**

| | <i>Fund 31701</i> | <i>Fund 41000</i> | |
|-------------------------------------|-------------------------|---------------------|----------------------|
| | Capital Improvements | Debt Service | Total |
| | <u>SB 9</u> | <u>Fund</u> | <u>Total</u> |
| Cash balance,* June 30, 2017 | \$ 5,158,545 | \$ 3,834,771 | \$ 31,021,565 |
| Additions to cash | | | |
| 2016-17 revenue | 1,643,255 | 4,238,340 | 84,409,035 |
| Receipt of prior year loans | - | - | 1,872,309 |
| Transfer from other funds | - | - | - |
| Loans from other funds | - | - | 1,851,927 |
| Total additions to cash | <u>6,801,800</u> | <u>8,073,111</u> | <u>119,154,836</u> |
| Deductions to cash | | | |
| 2016-17 expenditures | 634,060 | 3,834,590 | 85,755,383 |
| Repayment of loans | - | - | 1,872,309 |
| Transfer to other funds | - | - | - |
| Loans to other funds | - | - | 1,851,927 |
| Total deductions to cash | <u>634,060</u> | <u>3,834,590</u> | <u>89,479,619</u> |
| Change due to held checks | <u>-</u> | <u>-</u> | <u>775,662</u> |
| Cash balance,* June 30, 2018 | <u>\$ 6,167,740</u> | <u>\$ 4,238,521</u> | 30,450,879 |
| | | Fiduciary Fund Cash | <u>1,187,665</u> |
| | | Total Cash | <u>\$ 31,638,544</u> |

*Cash balances include cash and restricted cash.

COMPLIANCE SECTION



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

The Board of Education
Clovis Municipal Schools
Clovis, New Mexico and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of Clovis Municipal Schools (the “District”), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated October 25, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control

The Board of Education
Clovis Municipal Schools and
Mr. Wayne Johnson
New Mexico State Auditor

described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2017-002 and 2017-004.

Compliance and Other Matters

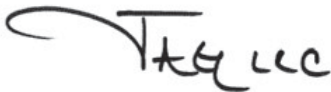
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The District's Responses to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "JAG LLC". The signature is stylized with a large, sweeping initial letter 'J'.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 25, 2018



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Education
Clovis Municipal Schools
Clovis, New Mexico and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for the Major Federal Program

We have audited Clovis Municipal School’s (the “District”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Audit Requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District’s compliance.

The Board of Education
Clovis Municipal Schools and
Mr. Wayne Johnson
New Mexico State Auditor

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.


Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 25, 2018

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

| Federal Grantor or Pass-Through Grantor/Program Title | Pass-through Number | Federal CFDA | Passed-through to Subrecipients | Federal Expenditures |
|---|------------------------|-----------------|------------------------------------|-------------------------|
| U.S. Department of Defense | | | | |
| ROTC | 25200 | 12.357 | \$ - | \$ 6,608 |
| U.S. Department of Education | | | | |
| <i>Pass-through State of New Mexico Public Education Department</i> | | | | |
| Title I Grants to Local Educational Agencies | 24101 | 84.010 | - | 1,872,218 |
| Migrant Education - State Grant Program | 24103 | 84.011 | - | 27,158 |
| <i>Special Education Cluster (IDEA)</i> | | | | |
| Special Education - Grants to States (IDEA B) | 24106 | 84.027 | - | 1,819,190 |
| Special Education - Grants to States (IDEA B - Competitive) | 24108 | 84.027 | - | 1,511 |
| Special Education - Preschool Grants (IDEA B - Pre School) | 24109 | 84.173 | - | 29,472 |
| Special Education - Preschool Grants (IDEA B - Early Intervention) | 24112 | 84.173 | - | 124,785 |
| Special Education - Results Plan | 24132 | 84.027 | - | 96,013 |
| <i>Special Education Cluster (IDEA) Total</i> | | | - | 2,070,971 |
| English Language Acquisition State Grants | 24153 | 84.365A | - | 85,539 |
| Improving Teacher Quality State Grants (Title II) | 24154 | 84.367 | 6,558 | 328,964 |
| Career and Technical Education - Basic Grants to States (Carl D Perkins - Secondary Current) | 24174 | 84.048 | - | 85,077 |
| Career and Technical Education - Basic Grants to States (Carl D. Perkins - Secondary - Redistribution) | 24176 | 84.048 | - | 6,861 |
| <i>Subtotal - Pass-through State of New Mexico Public Education Department</i> | | | 6,558 | 4,476,788 |
| <i>Direct U.S. Department of Education</i> | | | | |
| Impact Aid | 11000 | 84.041 | - | 210,277 |
| Impact Aid - Special Education | 25145 | 84.041 | - | 34,101 |
| <i>Subtotal - Direct U.S. Department of Education</i> | | | - | 244,378 |
| Total U.S. Department of Education | | | 6,558 | 4,721,166 |
| U.S. Department of Agriculture | | | | |
| <i>Child Nutrition Cluster</i> | | | | |
| <i>Pass-through State of New Mexico Public Education Department</i> | | | | |
| Cash Assistance | | | | |
| School Breakfast | 21000 | 10.553 | | 1,374,385 |
| National School Lunch Program | 21000 | 10.555 | - | 2,464,616 |
| <i>Pass-through State of New Mexico Human Services Department</i> | | | | |
| Non-Cash Assistance (Commodities) National School Lunch Program | 21000 | 10.555 | - | 177,907 |
| <i>Total Child Nutrition Cluster</i> | | | - | 4,016,908 |
| Total U.S. Department of Agriculture | | | - | 4,016,908 |
| Total Federal Financial Assistance | | | \$ 6,558 | \$ 8,744,682 |

See Notes to Schedules of
Expenditures of Federal Awards.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Clovis Municipal Schools (District) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. SUBRECIPIENT

The District provided the following federal award to a subrecipient during the year:

CFDA 84.367, Improving Teacher Quality State Grants (Title II)
Clovis Christian School in the amount of \$6,558.

NOTE 4. NONCASH FEDERAL ASSISTANCE

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast program. Per USDA guidance (FPI-18-2), donated USDA commodities should be grouped with the National School Lunch Program and use the same CFDA number as the National School Lunch Program. The value of commodities received for the year ended June 30, 2018 was \$177,907. Commodities are recorded as revenues and expenditures in the Food Service fund.

NOTE 5. INDIRECT COST RATE

During the year ended June 30, 2018, the New Mexico Public Education Department reimbursed the District for indirect costs at 2.81%.

NOTE 6. RECONCILIATION OF FEDERAL REVENUE TO FEDERAL EXPENDITURES

| | |
|---|---------------------|
| Federal expenditures as reported on Schedule of Expenditure of Federal Awards | \$ 8,744,682 |
| District as contractor relationship: | |
| Medicaid (Fund 25153) | 1,093,946 |
| Migrant Regional Recruiting (Fund 24187) | 48,150 |
| Indirect cost recovery (Fund 11000) | 112,946 |
| Advance reimbursement grant (Impact Aid - Fund 25145) | <u>(8,001)</u> |
| Federal revenue as reported in the financial statements | <u>\$ 9,991,723</u> |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

2016-002

Compliance with School Personnel Act
Non-Compliance

Resolved

2017-001

Capital Asset Disposals
Non-Compliance

Resolved

2017-002

IT Access – Segregation of Duties
Significant Deficiency

Modified and Repeated

2017-003

Anti-Donation Clause of the New Mexico Constitution
Non-Compliance

Resolved

2017-004

Activity Funds
Significant Deficiency

Modified and Repeated

2017-005

Inventory Pricing
Significant Deficiency

Resolved

STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor’s report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Non-compliance material to financial statements noted? | No |

Federal Awards:

- | | | | | | | | |
|--|---|------------------------|---------------|---|----------------|--|--|
| 1. Internal control over major programs: | | | | | | | |
| a. Material weakness identified? | No | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | No | | | | | | |
| 2. Type of auditor’s report issued on compliance for major programs | Unmodified | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | No | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; width: 40%;"><u>CFDA</u></td> <td style="text-align: center; width: 60%;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;"><u>Number</u></td> <td style="text-align: center;"><u>Special Education Cluster (IDEA B)</u></td> </tr> <tr> <td style="text-align: center;">84.027, 84.173</td> <td></td> </tr> </table> | <u>CFDA</u> | <u>Federal Program</u> | <u>Number</u> | <u>Special Education Cluster (IDEA B)</u> | 84.027, 84.173 | | |
| <u>CFDA</u> | <u>Federal Program</u> | | | | | | |
| <u>Number</u> | <u>Special Education Cluster (IDEA B)</u> | | | | | | |
| 84.027, 84.173 | | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | Yes | | | | | | |

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

2017-002 IT ACCESS - SEGREGATION OF DUTIES

TYPE OF FINDING: Significant Deficiency

CONDITION

During FY18, the District made progress towards implementing their corrective action plan to improve IT access segregation of duties by removing certain permissions. However, in the electronic accounting system (Skyward), both the CFO and the Supervisor of Accounting still had more access than was necessary. This access included the ability to add, edit, and delete in many accounting functions. Although the District has very strong compensating controls from which any errors or fraud would most likely be prevented and detected, adding limitations to this full access (such as read-only for areas not needed) would be a good accounting practice.

CRITERIA

No one employee should have the ability to record, review, and approve transactions within the system. Effective change controls should ensure that program changes and changes to data are valid, meet user needs, are reviewed and approved independently, and are implemented accurately.

EFFECT

There is an increased risk of unauthorized or inaccurate changes in Skyward.

CAUSE

The CFO and Controller have teams in place to perform initiation and reconciliation of accounts; however, they have typically needed access for more difficult transactions and for reviewing purposes.

RECOMMENDATION

Finance should work with IT personnel to decrease user access so that users have only those roles that are necessary and do not have any incompatible roles.

MANAGEMENT RESPONSE

Corrective Action: Several areas within the Web Accounting System were downgraded from complete access to view only access for both the CFO and Supervisor of Accounting Services. Those areas include Vendor Management, Student Billing, Accounts Receivable, Budget Transfers, Budget Activity, Budget Approvals, Purchase Order Entry, Purchase Order Receiving, Credit Card Processing, Expense Reimbursement, and Check Requests. The CFO has been downgraded to view only on Cash Receipts, Check Reconciliation, Bank Reconciliation. The IT Department continues to monitor security for all groups of employees.

Due Date of Completion: December 2018

Responsible Party: Executive Director of Technology

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-004 ACTIVITY FUNDS

TYPE OF FINDING: Significant Deficiency

CONDITION

During our testing of the District’s activity funds and walkthrough of three campus’s controls, we noted the following:

- Control and tracking of tickets for High School activities has improved from the prior year. However, the High School uses a deposit balancing report to track and control tickets, sales, and cash receipts that is not being used in accordance with management’s instructions. For the football game on August 25, 2017, three of the reports were filled out by the Athletics Secretary instead of by the people responsible for collecting and turning in the cash receipts.
- Controls over season and reserve tickets have improved from prior year, however, complimentary tickets to games are still not being tracked consistently.

CRITERIA

NM Public Education Department (PED) Manual of Procedures – PSAB Supplement 18 – Student Activity & Athletics - As governments increasingly respond to the demands for fiscal and operational accountability, best practice dictates the creation of strong controls surrounding activity funds, including assurance that all transactions are recorded and reported in district and charter school financial records. Additionally, at a minimum, proper lines of authority combined with strong control practices, such as segregation of duties, multiple checks and balances, requirements for annual audits, and regular financial reporting, are the elements to protect against error, waste, fraud or misuse.

EFFECT

Without proper controls over activity funds, there is an increased chance fraud or errors could occur. This can be devastating to the staff, students, parents, and community members who have supported the District financially.

CAUSE

Although Central Office does train employees, there may not be proper implementation or oversight of the strong controls over activity funds necessary.

RECOMMENDATION

We recommend assessing risk over each cash receipts revenue stream at each school, frequently monitoring controls that are then implemented over activity funds and holding employees accountable for non-compliance with policies and procedures.

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-004 ACTIVITY FUNDS (CONTINUED)

MANAGEMENT RESPONSE

Corrective Action: When the Auditor discovered that the Deposit Balancing Report was not being used in accordance with management’s instructions, we re-vamped our training schedule to include all Principals and Directors along with the Finance Secretaries. We also added training sessions for ticket sellers and takers and Athletic Coordinators at all Secondary School Sites.

The Accounting Clerk continues to conduct Financial Audits for Deposits, Fundraisers, Timecards, Time-off, Time & Effort, Fixed Assets, Petty Cash, Ticket Audits, and Timeclock Audit. The results of the audits are reported to the Principals/Supervisors who have the opportunity to discuss the findings. The results of the audit drive the content in the monthly secretary meetings, which are mandatory for all Finance Secretaries. At the beginning of the year, one on one training was provided by either the Assistant Superintendent of Finance or the Coordinator of Accounting Services. Principals were again encouraged to attend.

A new Athletics Director was hired at the beginning of FY 18-19. He was included in the discussions regarding the issues involving the Deposit Balancing Report, Tickets, Receipting, and Safeguarding of Assets. Athletic Tickets are tracked and monitored each time they are checked out. Any discrepancies are reported to the Athletic Director. Complimentary tickets are now numbered and logged on a sign out sheet which lists the name of the person or organization who received the tickets.

Due Date of Completion: February 2019

Responsible Party: Assistant Superintendent of Finance

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2018**

SECTION III – FEDERAL AWARD FINDINGS

None

**STATE OF NEW MEXICO
CLOVIS MUNICIPAL SCHOOLS
EXIT CONFERENCE
JUNE 30, 2018**

The contents of this report were discussed on October 25, 2018. The following individuals were in attendance:

Clovis Municipal Schools

Jody Balch, Superintendent
Carrie Bunce, Deputy Superintendent of Operations
Kerry Parker, Assistant Superintendent of Human Resources
Shawna Russell, Assistant Superintendent of Finance
Cindy Osburn, Audit Committee Member, Board Vice President
Ribble Holloman, Audit Committee Member
Laura Laurant, Accounts Payable Clerk
Tammy Lethgo, Administrative Assistant to Finance
Barbara Hardin, Coordinator of Accounting Services
Sherry Dominguez, Fixed Asset and Accounting Clerk
Monica Jackson, Payroll Clerk
Heather Nieto, Chief Procurement Officer
Carlos Molina, Comptroller
Geri Schumpert, Benefits Clerk

Jaramillo Accounting Group LLC (JAG)

Scott Eliason, CPA, Partner

Jaramillo Accounting Group LLC (JAG) assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

APPENDIX C

FORM OF BOND COUNSEL OPINION

John R. Cooney
James M. Parker
Arthur D. Melendres
James P. Houghton
Paul M. Fish
R. E. Thompson
Lynn H. Slade
Douglas R. Vadnais
Walter E. Stern III
Martha G. Brown
Tim L. Fields
Earl E. DeBrine, Jr.
Timothy C. Holm
Roberta Cooper Ramo
Stuart R. Butzler
Donald A. DeCandia
Margaret L. Meister
Peter L. Franklin
Jennifer A. Noya
Zachary L. McCormick
Marjorie A. Rogers
Karen L. Kahn
Christopher P. Muirhead
Maria O'Brien
Stan N. Harris
Marco E. Gonzales
Michelle A. Hernandez
Jennifer G. Anderson
Joan E. Drake
Alex C. Walker
Susan M. Bisong
Emil J. Kiehne
Brian K. Nichols
Megan T. Muirhead
Deana M. Bennett
Tiffany L. Roach Martin
Daniel M. Alsup
Katherine E. McKinney
Spencer L. Edelman
Nathan T. Nieman
Christina C. Sheehan
Anna E. Indahl
Jeremy K. Harrison
Sarah M. Stevenson
Vanessa C. Kaczmarek
Elizabeth A. Martinez
Nadine E. Shea
Chris H. Killion
Kevin D. Pierce
Sonya R. Burke
Mia Kern Lardy
Tomas J. Garcia
Robin E. James
Luke W. Holmen
Ian W. Bearden
Jennifer A. Kittleson
Dominic A. Martinez
Nicole T. Russell
Laura M. Unklesbay
Lance D. Hough
Moses B. Winston
Carl W. Lisberger
Bayard Roberts IV



MODRALL SPERLING

L A W Y E R S

October 2, 2019

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Roehl Harris & Sisk P.A.

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Albuquerque,
New Mexico 87102

PO Box 2168
Albuquerque,
New Mexico 87103-2168

Tel: 505.848.1800
www.modrall.com

Board of Education
Clovis Municipal School District No. 1
Clovis, New Mexico

Ladies and Gentlemen:

We have acted as bond counsel to Clovis Municipal School District No. 1 (the "District") in connection with the issuance of its \$3,000,000 General Obligation School Building Bonds, Series 2019 (the "Bonds"), dated October 2, 2019, with interest payable on February 1, 2020, and semi-annually thereafter on each August 1 and February 1 until maturity, and being Bonds in registered form maturing on August 1 in the years 2020 through 2035.

We have examined the laws of the State and the United States of America relevant to the opinions herein, the transcript of proceedings (the "Transcript") and other documents relevant to the issuance of the Bonds by the District. As to the questions of fact material to our opinion, we have relied upon representations of the District contained in the proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion that, under existing law on the date of this opinion:

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

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of calculating the alternative minimum tax imposed under provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"). Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences

will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

3. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision thereof.

The opinions set forth above in Paragraph 2 above are subject to continuing compliance by the District with covenants regarding federal tax law contained in the proceedings and other documents relevant to the issuance of the Bonds by the District. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance.

The opinions expressed herein are based upon existing law as of the date of issuance and delivery of the Bonds. We express no opinion as of any date subsequent hereto, and our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this opinion.

The obligations of the District related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the District and the security provided therefor may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The foregoing opinions 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 result. We express no opinion with respect to any pending legislation.

As bond counsel, we are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual of interest on, or the ownership of, the Bonds except those specifically addressed in Paragraphs 2 and 3 above.

Respectfully submitted,

APPENDIX D

CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the Clovis Municipal School District No. 1, Curry County, New Mexico (the "District"), in connection with the issuance of the Clovis Municipal School District No. 1, Curry County, New Mexico, General Obligation School Building Bonds, Series 2019 (the "Bonds"). The Bonds are being issued pursuant to a Notice of Sale Resolution and Delegation of Authority adopted on August 27, 2019 and a Bond Award signed on September 17, 2019 (collectively, the "Resolution"). Pursuant to the Resolution, to allow the underwriters of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

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

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

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

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

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

(f) "Official Statement" means the Official Statement dated September 17, 2019, delivered in connection with the original issue and sale of the Bonds.

(g) "Report Date" means March 31 of each year, beginning in 2020.

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

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

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

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

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

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

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

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

- 1) principal and interest payment delinquency;
- 2) non-payment related default, if material;
- 3) unscheduled draw on debt service reserves reflecting financial difficulties;
- 4) unscheduled draw on credit enhancements reflecting financial difficulties;
- 5) substitution of credit or liquidity provider, or their failure to perform;
- 6) adverse tax opinion, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notice or determination with

respect to the tax status of the security, or other material events affecting the tax status of the security;

- 7) modification to rights of security holders, if material;
- 8) bond calls;
- 9) defeasances;
- 10) release, substitution or sale of property securing repayment of the security, if material;
- 11) rating change;
- 12) failure to provide event filing information as required;
- 13) tender offer/secondary market purchases;
- 14) merger, consolidation or acquisition and sale of all or substantially all assets;
- 15) bankruptcy, insolvency, receivership or similar event with respect to the District or an obligated person;
- 16) appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- 17) Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- 18) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

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

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

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

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

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

- (a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the District;
- (b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and
- (c) the amendment does not materially impair the interests of the Owners.

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

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

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

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

[Signature Page Follows]

Date: October 2, 2019

BOARD OF EDUCATION OF CLOVIS
MUNICIPAL SCHOOL DISTRICT NO. 1

By: _____
President

[SEAL]

ATTEST:

Secretary

Y:\dox\client\80349\0131\GENERAL\W3506337.DOCX

APPENDIX E

OFFICIAL NOTICE OF SALE / BID FORM / ISSUE PRICE CERTIFICATE

OFFICIAL NOTICE OF BOND SALE

\$3,000,000
 CLOVIS MUNICIPAL SCHOOL DISTRICT NO. 1,
 COUNTY OF CURRY, STATE OF NEW MEXICO,
 GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2019

PUBLIC NOTICE IS HEREBY GIVEN that the Superintendent and/or the Deputy Superintendent of Finance of the Clovis Municipal School District No. 1, Curry County, New Mexico, (the “District”) will, until the hour of 10:00 a.m., local time on September 17, 2019, or such other date and time as indicated below (the “Rescheduled Bid Date” and “Rescheduled Deadline,” respectively, and together with the Original Bid Date and the Original Deadline, the “Bid Date” and “Deadline,” respectively), receive bids at RBC Capital Markets, LLC, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico, or at such other place to be designated as provided below, for the purchase of the District’s General Obligation School Building Bonds, Series 2019 (the “Series 2019 Bonds”) in the aggregate principal amount of \$3,000,000 and then publicly examine bids received. Bids may be submitted as a sealed bid or as an electronic bid using the facilities of PARITY. The Superintendent and/or Deputy Superintendent of Finance will, after receipt and opening of such bids, accept a binding bid for the Bonds, determine the final terms of the Bonds, award the Series 2019 Bonds to the best bidder, and consider any other related matters.

DESCRIPTION OF ISSUE: \$3,000,000 of the Series 2019 Bonds will be issued to erect, remodel, make additions to and furnish school buildings, to purchase or improve school grounds, and to purchase computer software and hardware for student use in public schools, and to provide matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act or any combination of these purposes

General Obligation School Building Bonds, Series 2019

| <u>Maturity Dates</u> <u>August 1</u> | <u>Principal*</u> |
|--|--------------------|
| 2020 | \$0** |
| 2021 | 210,000 |
| 2022 | 100,000 |
| 2023 | 50,000 |
| 2024 | 50,000 |
| 2025 | 50,000 |
| 2026 | 100,000 |
| 2027 | 100,000 |
| 2028 | 100,000 |
| 2029 | 150,000 |
| 2030 | 325,000 |
| 2031 | 325,000 |
| 2032 | 325,000 |
| 2033 | 325,000 |
| 2034 | 325,000 |
| 2035 | 465,000 |
| TOTAL | \$3,000,000 |

*Subject to Change

**First interest payment is on February 1, 2020

The Series 2019 Bonds will be fully registered bonds in the denomination of \$5,000 each, or any integral multiple thereof. Interest will be payable on February 1, 2020 and semiannually thereafter on August 1 and February 1 of each year.

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

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

In the event the District exercise its right to make adjustments to the aggregate principal amount of the Series 2019 Bonds and/or the maturity schedule for such series after the deadline for the submission of bids, the winning bidder must execute and promptly deliver to the District an acknowledgment of an agreement with such modification and adjusted maturity schedule, and the Bonds shall be payable in the principal amounts contained therein and shall bear interest at the respective interest rates submitted by the winning bidder in its bid.

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

BIDS DELIVERED TO THE BOARD: Sealed bids, plainly marked "Bid for Bonds," should be addressed to "Board of Education, the Clovis Municipal School District No. 1," and delivered to the Clovis Municipal School District No. 1, c/o RBC Capital Markets, LLC, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110 prior to 10:00 a.m., local time, on September 17, 2019, the date of the bid opening. Such bids must be submitted on the Official Bid Form, without alteration or interlineation or through the electronic bidding process described below.

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

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Series 2019 Bonds on the terms provided in this Official Notice of Meeting and Bond Sale ("Notice"), and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Board. The Board and the Board's financial and bond advisors shall not be responsible for any malfunction or mistake made by or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice conflict with information provided by PARITY, as the approved provider of electronic bidding services, this Notice shall control. Further information about PARITY, including any fee charged, may be obtained from BIDCOMP/PARITY, 1359 Broadway, 2nd Floor, New

York, New York 10018, i-Deal Prospectus:(212) 849-5024 or (212) 849-5025; BidComp/Parity: (212) 849-5021.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS: The District intends to designate the Bonds as “QUALIFIED TAX-EXEMPT OBLIGATIONS” for purposes of Section 265 of the Internal Revenue Code of 1986, as amended (the “Code”). Section 265 of the Code permits the designation of governmental bonds such as these Bonds as qualified tax-exempt obligations, based upon certain representations made herein below (and certain representations by the initial purchaser of the Bonds):

- (a) The Bonds are not private activity bonds;
- (b) The District does not reasonably expect to issue qualified tax-exempt obligations in an aggregate principal amount exceeding \$10,000,000.00 during calendar year 2019; and
- (c) The District has not and will not designate more than \$10,000,000.00 in aggregate principal amount of qualified tax-exempt obligations during calendar year 2019.

REDEMPTION: The Series 2019 Bonds maturing on and after August 1, 2027, may be redeemed prior to their scheduled maturities on August 1, 2026, or on any date thereafter, in whole or in part, at the option of the District at par plus accrued interest to the date of redemption, if any.

PAYMENT OF PURCHASE PRICE: The purchaser will be required to make payment of the balance of the purchase price of the Series 2019 Bonds (after credit for the bidder’s good faith deposit, without interest to the purchaser) in immediately available funds at a depository designated by the District on the date of closing.

INTEREST RATE, BID LIMITATIONS: The maximum net effective interest rate permitted on the Bonds is ten percent (10%), and no interest rate on any maturity of the Bonds may be greater than ten percent (10%) per annum. It is permissible to bid different or split rates of interest; provided, however, that: (1) no bid shall specify more than one interest rate for each maturity; (2) each bid shall specify one interest rate applicable for each common maturity of the Series 2019 Bonds; (3) each interest rate specified must be stated in a multiple of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) per annum; and (4) the maximum interest rate specified for any maturity may not exceed the minimum interest rate specified for any other maturity by no more than three percent (3%). A bid of zero percent is not permitted.

The Bonds will not be sold for less than 100% of par.

Bidders are required to submit a bid specifying the lowest rate or rates of interest and premium, if any, at which such bidder will purchase the Bonds. For informational purposes only, each bidder is requested to specify the True Interest Cost on the Series 2019 stated as a nominal annual percentage rate (see “BASIS OF AWARD” below). Only unconditional bids shall be considered. Bids should be submitted on the Official Bid Form, which may be obtained from the District’s financial advisor (see “FURTHER INFORMATION” below).

NEW MEXICO CREDIT ENHANCEMENT PROGRAM: The District will qualify the Series 2019 Bonds for the New Mexico Credit Enhancement Program created under Section 22-18-13, NMSA

1978 and the District will apply and pay for a Moody's Investor's Service, Inc., rating on the Series 2019 Bonds based on the New Mexico Credit Enhancement Program.

BASIS OF AWARD: The Bonds will be awarded to the best bidder, considering the interest rate or rates specified and the premium offered, if any, and subject to the right of the Board to reject any and all bids and re-advertise. The best bid will be determined and will be awarded on the basis of the True Interest Cost of the Bonds (i.e., using a True Interest Cost method) for each bid received, and an award will be made (if any is made) to the responsible bidder submitting the bid that results in the lowest actuarial yield on the Bonds. "True Interest Cost" of the Series 2019 Bonds, as used herein, means that yield, which if used to compute the present worth, as of the date of the Series 2019 Bonds, of all payments of principal and interest to be made on the Series 2019 Bonds, from their date to their respective maturity dates, as specified in the maturity schedule and without regard to the possible optional prior redemption of the Series 2019 Bonds, using the interest rates specified in the bid, produces an amount equal to the principal amount of the Series 2019 Bonds plus any premium bid. No adjustment shall be made in such calculation for accrued interest on the Series 2019 Bonds from their date to the date of delivery thereof. Such calculation shall be based on a 360-day year consisting of twelve thirty day months and a semiannual compounding interval. The purchaser must pay accrued interest from the date of the Series 2019 Bonds to the date of delivery. **The Series 2019 Bonds will not be sold for less than par plus accrued interest.** The District reserves the right to waive any irregularity or informality in any bid, except time of filing.

GOOD FAITH DEPOSIT: All bids shall be sealed, except bids received by electronic transmission, and, a good faith deposit of \$60,000, representing 2% of the par amount, (in the form of cash (to be sent by wire transfer to a bank account designated by the District immediately upon notice from the financial advisor to the winning bidder and prior to official award of the Series 2019 Bonds by the Board), a financial security bond, cashier's or treasurer's check of or by certified check drawn on a solvent commercial bank or trust company in the United States of America and payable to "Clovis Municipal School District No. 1"), must accompany any bid. If a financial security bond is used, it must be from an insurance company that is licensed to issue such a bond in the State of New Mexico and that has a long term rating by a nationally recognized rating agency of one of the two highest rating categories for long term obligations. The financial security bond must identify each bidder whose good faith deposit is guaranteed by such bond. If the Series 2019 Bonds are awarded to a bidder utilizing a financial security bond, then that successful bidder is required to submit the amount of the good faith deposit to the District in the form of a cashier's, treasurer's or certified check as provided in the first sentence of this paragraph (or wire transfer such amount as instructed by the District or its financial advisor) not later than 2:30 p.m., local time, on the next business day following the opening of the bids for the Series 2019 Bonds. If such good faith deposit is not received by that time, the financial security bond may be drawn upon by the District to satisfy the good faith deposit requirement. No interest on such good faith deposit will accrue to the successful bidder. If the financial security bond is drawn against or the winning bidder wire transfers to the District the amount of the good faith deposit, such cash deposit will be applied to the purchase price of the Series 2019 Bonds.

The good faith deposit shall be returned for all non-successful bids or if no bid is accepted. If the successful bidder fails or neglects to complete the purchase of the Series 2019 Bonds within forty-five (45) days following the acceptance of the bid or within ten (10) days after the Series 2019 Bonds are offered for delivery, whichever is later, the amount of the deposit shall be forfeited to the District as liquidated damages, and, in that event, the Board may accept the bid of the one making the next best bid. If all bids are rejected, the Board shall re-advertise the Series 2019 Bonds for sale in the same manner as herein provided for the original advertisement. If there be two or more equal bids and such bids are the best bids received, the Board shall determine which bid shall be accepted.

TIME OF AWARD AND DELIVERY: The Board will take action awarding the Series 2019 Bonds or rejecting all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of the bids. Delivery of the Series 2019 Bonds will be made to the successful bidder through the facilities of The Depository Trust Company, New York, New York, within 60 days of the acceptance of the bid. If for any reason delivery cannot be made within 60 days, the successful bidder shall have the right to purchase the Series 2019 Bonds during the succeeding 30 days upon the same terms, or at the request of the successful bidder, during said succeeding 30 days, the good faith deposit will be returned, and such bidder shall be relieved of any further obligation. It is anticipated that the delivery of the Series 2019 Bonds will be on or about October 2, 2019.

ISSUE PRICE CERTIFICATE: The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at closing an “issue price” or similar certificate, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the District and Bond Counsel. All actions to be taken by the District to establish the issue price of the Bonds may be taken on behalf of the District by the District’s municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District’s municipal advisor.

(a) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “competitive sale requirements”) because:

- (i) the District shall disseminate a Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (ii) all bidders shall have an equal opportunity to bid;
- (iii) the District may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (iv) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to the Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements described above in subparagraph (a) are not satisfied, the District shall so advise the winning bidder. The District may determine to treat (i) the first price at which 10% of each maturity of the Bonds is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis. The winning bidder shall advise the District if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The District shall promptly advise the winning bidder, at or before the time of award of the Bonds, which maturities of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule during the Holding Period, as defined in subparagraph (c)(ii) below. Bids will not be subject to cancellation in the event that the District determines to apply the hold-the-offering-price rule to any maturity of the Bonds.

(b) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply

to any person at a price that is higher than the initial offering price to the public during the Holding Period, as defined in subparagraph (c)(ii) below.

(c) The following terms are defined below:

(i) Hold-the-Offering-Price Maturity means a maturity of the Bonds of which less than 10% has been sold to the Public on the Sale Date.

(ii) Holding Period means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (a) the close of the fifth business day after the Sale Date, or (b) the date on which the winning bidder sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Holding-the-Offering-Price Maturity.

(iii) Maturity means Bonds with the same credit and payment terms. Bond with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(iv) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(v) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is expected to be September 17, 2019.

(vi) Underwriter means (i) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the to the Public).

FURTHER INFORMATION: Information concerning the Series 2019 Bonds, information regarding electronic bidding procedures, bid submission and other matters related to the Series 2019 Bonds, including printed copies of this Notice, the Official Bid Form, and the Preliminary Official Statement (“Preliminary Official Statement”), may be obtained from the District's financial advisor, RBC Capital Markets, LLC, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110. This Notice, the Official Bid Form and the Preliminary Official Statement is available for viewing in electronic format at www.fmhub.com (MuniHub). The District has prepared the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Series 2019 Bonds, but will not prepare any other document or version for such purpose except as described below. In addition, any NASD registered broker-dealers or dealer banks with The Depository Trust Company clearing arrangements who bid on the Series 2019 Bonds are advised that they may either: (a) print out a copy of the Preliminary Official Statement on their own printer or (b) at any time prior to the sale date, elect to receive a photocopy of the Preliminary Official Statement in the mail by requesting it from the District's financial advisor. All bidders must review the Preliminary Official Statement, and by submitting a bid for the Series 2019 Bonds, each bidder certifies that such bidder has done so prior to participating in the bidding.

The District will agree in a separate agreement to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12 (“Rule”), as

described in the Preliminary Official Statement under “Continuing Disclosure of Information.” The Preliminary Official Statement is deemed final by the District for purposes of Rule 15c2-12(b)(1) except for the omission of the following information: the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, any other terms or provisions required by an insurer of such securities to be specified in the winning bid, ratings, other terms of the securities depending on such matters, and the identity of the purchaser. The Board will furnish to the successful bidder or bidders, acting through a designated senior representative, in accordance with instructions received from such successful bidder(s) in order to comply with the Rule, within seven (7) business days from the sale date an aggregate of 20 copies of the final Official Statement, reflecting interest rates and other terms relating to the initial reoffering of the Series 2019 Bonds. The cost of preparation of the Official Statement shall be borne by the District except for the cost of any final Official Statement in excess of the number specified shall be borne by the successful bidder(s).

TRANSCRIPT AND LEGAL OPINIONS: The legality of the Series 2019 Bonds will be approved by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Attorneys at Law, Albuquerque, New Mexico, whose opinion approving the legality of the Series 2019 Bonds will be furnished to the successful bidder at no cost to the successful bidder. The opinion will state in substance that the issue of the Series 2019 Bonds is valid and legally binding upon the District, that all of the taxable property in the District is subject to the levy of a tax to pay the same without limitation of rate or amount, and that interest on the Series 2019 Bonds is excludable from gross income for purposes of federal income tax. The successful bidder (without cost to such bidder) will also be furnished with a complete transcript of the legal proceedings, including a non-litigation certificate stating that to the knowledge of the signer or signers thereof, as of the date of the delivery of the Series 2019 Bonds, no litigation is pending affecting their validity or the levy or collection of such taxes for their payment.

BOOK-ENTRY ONLY OBLIGATIONS: The Series 2019 Bonds will be issued in book-entry only form through the facilities of the Depository Trust Company (see Preliminary Official Statement).

CUSIP NUMBERS: The District’s Financial Advisor shall make timely application in writing to the CUSIP Service Bureau for and shall obtain CUSIP numbers. CUSIP identification numbers may be typed or printed on the Bonds, but neither the failure to provide such number on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser thereof to accept delivery of and to pay for the Bonds in accordance with the terms hereof. All expenses in relation to the CUSIP Service charge for the assignment of said numbers will be the responsibility of and will be paid for by the District’s Financial Advisor.

BLUE SKY LAWS: The District has not investigated the eligibility of any institution or person to purchase or participate in the underwriting of the Series 2019 Bonds under any applicable legal investment, insurance, banking, or other laws.

By submitting a bid, the initial purchaser represents that the sale of the Series 2019 Bonds in states other than New Mexico will be made only under exemptions from registration, or, wherever necessary, the initial purchaser will register the Series 2019 Bonds in accordance with the securities laws of the state in which the Series 2019 Bonds are offered or sold. The District agrees to cooperate with the initial purchaser, at the initial purchaser's written request and expense, in registering the Series 2019 Bonds or obtaining an exemption from registration in any state where such action is necessary but will not consent to service of process in any such jurisdiction.

The Superintendent and officers of the District, the District’s Financial Advisor, and the District’s Bond Counsel are authorized to prepare, post, and to distribute the Official Notice of Bond Sale, Official Bid Form, Preliminary Official Statement, and Official Statement to such potential bidders on the Bonds as

they may determine in substantially the forms set forth above and as attached hereto and to take all action necessary or appropriate to give effect to the provisions of this Resolution.

The President of the Board and the Superintendent are hereby also authorized to determine the time, date and place to receive bids for the subsequent sales of bonds authorized at the February 7, 2017 regular bond election, including the series, the dated date, the principal amount maturing in each year, principal and interest payment dates, redemption provisions, and any other terms related to the subsequent series of bonds. The President of the Board and the Superintendent are hereby further authorized and directed to have published a notice of sale of all subsequent sales of authorized bonds, after determination of the details of the authorized bonds, in the *Eastern New Mexico News*, Clovis, New Mexico, being a newspaper of general and local circulation in the District, once, at least one week prior to the date of the sale, and to give such other notice as they may determine, and the Board hereby authorizes the President of the Board, the Secretary, and other appropriate officers and employees to take such actions and give such certifications as may be appropriate for the purposes aforesaid.

PASSED AND APPROVED this 27th day of August, 2019.

BOARD OF EDUCATION OF THE
CLOVIS MUNICIPAL SCHOOL DISTRICT
NO. 1

By _____
President

SEAL

ATTEST:

By _____
Secretary

OFFICIAL BID FORM

(September 17, 2019)

Clovis Municipal School District No.1
c/o RBC Capital Markets, LLC
6301 Uptown Blvd., N.E., Suite 110
Albuquerque, New Mexico 87110

Members of the Board:

Pursuant to your "Official Notice of Bond Sale," dated August 27, 2019, relating to the District's \$3,000,000 General Obligation School Building Bonds, Series 2019 (the "Bonds") which by reference is made a part hereof, we submit the following bid:

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

General Obligation School Building Bonds, Series 2019

| <u>Maturity Dates</u> <u>August 1</u> | <u>Principal*</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> |
|--|--------------------|--------------------------------|--------------|
| 2020 | \$ 50,000 | | |
| 2021 | 210,000 | | |
| 2022 | 100,000 | | |
| 2023 | 50,000 | | |
| 2024 | 50,000 | | |
| 2025 | 50,000 | | |
| 2026 | 100,000 | | |
| 2027 | 100,000 | | |
| 2028 | 100,000 | | |
| 2029 | 150,000 | | |
| 2030 | 335,000 | | |
| 2031 | 335,000 | | |
| 2032 | 335,000 | | |
| 2033 | 335,000 | | |
| 2034 | 335,000 | | |
| 2035 | 365,000 | | |
| TOTAL | \$3,000,000 | | |

Enclosed herewith is *a financial security bond*, *cash*, * a cashier's or treasurer's check of *, * a certified check drawn on *, a solvent commercial bank or trust company in the United States of America, made payable to the order of the Clovis Municipal Municipal School District No. 1, in the amount of \$60,000, which deposit represents our good faith deposit and is submitted in accordance with the terms set forth

in the "Official Notice of Bond Sale." We will pay the CUSIP Service Bureau charge, if any, for the assignment of CUSIP numbers.

The undersigned agrees to complete, execute, and deliver to the District within two business days from the date hereof a Certificate of Underwriter Regarding Issue Price or a similar certificate relating to the "issue price" of the Bonds, in the form attached hereto, within two business days from the date hereof. Exhibit B attached hereto is provided as guidance to assist with completion of the Certificate Regarding Issue Price.

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

Respectfully submitted,

By: _____
Authorized Representative

* (Strike inapplicable words)

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

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

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

Gross Interest Cost: \$ _____

Bond Insurance (if any) at Cost of Bidder:

Less Premium Bid: \$ _____

Name of Company: _____

Net Interest Cost: \$ _____

Insurance Premium: \$ _____

Additional Rating (if any) at Cost of Bidder:

Name of Rating Agency:

ACCEPTANCE CLAUSE

The above bid is hereby in all things accepted by the Clovis Municipal School District No. 1, County of Curry, New Mexico, this 17th day of September, 2019.

CLOVIS MUNICIPAL SCHOOL DISTRICT NO. 1

Superintendent or Deputy Superintendent
of Finance

CERTIFICATE REGARDING ISSUE PRICE

EXHIBIT A **[to Bid Form]**

The undersigned hereby certifies on behalf of _____ (the "Underwriter") as follows with respect to the \$3,000,000 Clovis Municipal School District No. 1 General Obligation School Building Bonds, Series 2019 (the "Bonds").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

(b) The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 2, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Compliance Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Bonds.

By: _____

Name: _____

Dated: _____

**ISSUE PRICE CERTIFICATE
SCHEDULE A**

**EXPECTED OFFERING PRICES
(Attached)**

**ISSUE PRICE CERTIFICATE
SCHEDULE B**

**COPY OF UNDERWRITER'S BID
(Attached)**

EXHIBIT B

ESTABLISHING THE ISSUE PRICE FOR THE BONDS

The District intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which require, among other things, that the District receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds ("Competitive Sale Requirement").

In the event that the bidding process does not satisfy the Competitive Sale Requirement, the fact of which will be communicated by the District's Financial Advisor to the winning bidder by 2:30 p.m. the day of sale or, in the event such information is not communicated by the District's Financial Advisor, then promptly upon the request of the winning bidder, bids will not be subject to cancellation and the winning bidder (i) agrees to promptly report to the District the first prices at which at least 10% of each maturity of the Bonds (the "First Price Maturity") have been sold to the Public on the Sale Date (the "10% Test") and (ii) agrees to hold-the-offering-price of each maturity of the Bonds that does not satisfy the 10% Test ("Hold-the-Price Maturity"), as described below.

In order to provide the District with information that enables it to comply with the establishment of the issue price of the Bonds under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the District or to the District's Financial Advisor a certification as to the Bonds' "issue price" ("Issue Price Certificate") substantially in the form and to the effect accompanying this Notice, within five business days prior to the Closing Date if the Competitive Sale Requirement is satisfied or within five business days of the date on which the 10% Test is satisfied with respect to all of the maturities. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the District. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to the Underwriter,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (a) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (b) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (c) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Bonds are awarded by the Pricing Officer pursuant to the Bond Resolution to the winning bidder.

All actions to be taken by the District under this Notice to establish the issue price of the Bonds may be taken on behalf of the District by the District's Financial Advisor, and any notice or report to be provided to the District may be provided to the District's Financial Advisor.

The District will consider any bid submitted pursuant to this Notice to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wire.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the District when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no

higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

Y:\dox\client\80349\0131\GENERAL\W3506690.DOCX

OFFICIAL BID FORM

(September 17, 2019)

Clovis Municipal School District No.1
c/o RBC Capital Markets, LLC
6301 Uptown Blvd., N.E., Suite 110
Albuquerque, New Mexico 87110

Members of the Board:

Pursuant to your "Official Notice of Bond Sale," dated August 27, 2019, relating to the District's \$3,000,000 General Obligation School Building Bonds, Series 2019 (the "Bonds") which by reference is made a part hereof, we submit the following bid:

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

General Obligation School Building Bonds, Series 2019

| <u>Maturity Dates</u> <u>August 1</u> | <u>Principal*</u> | <u>Interest</u> <u>Rate</u> | <u>Yield</u> |
|--|--------------------|--------------------------------|--------------|
| 2020 | \$ 50,000 | | |
| 2021 | 210,000 | | |
| 2022 | 100,000 | | |
| 2023 | 50,000 | | |
| 2024 | 50,000 | | |
| 2025 | 50,000 | | |
| 2026 | 100,000 | | |
| 2027 | 100,000 | | |
| 2028 | 100,000 | | |
| 2029 | 150,000 | | |
| 2030 | 335,000 | | |
| 2031 | 335,000 | | |
| 2032 | 335,000 | | |
| 2033 | 335,000 | | |
| 2034 | 335,000 | | |
| 2035 | 365,000 | | |
| TOTAL | \$3,000,000 | | |

Enclosed herewith is *a financial security bond*, *cash*, * a cashier's or treasurer's check of *, * a certified check drawn on *, a solvent commercial bank or trust company in the United States of America, made payable to the order of the Clovis Municipal Municipal School District No. 1, in the amount of \$60,000, which deposit represents our good faith deposit and is submitted in accordance with the terms set forth

in the "Official Notice of Bond Sale." We will pay the CUSIP Service Bureau charge, if any, for the assignment of CUSIP numbers.

The undersigned agrees to complete, execute, and deliver to the District within two business days from the date hereof a Certificate of Underwriter Regarding Issue Price or a similar certificate relating to the "issue price" of the Bonds, in the form attached hereto, within two business days from the date hereof. Exhibit B attached hereto is provided as guidance to assist with completion of the Certificate Regarding Issue Price.

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

Respectfully submitted,

By: _____
Authorized Representative

* (Strike inapplicable words)

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

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

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

Gross Interest Cost: \$ _____

Bond Insurance (if any) at Cost of Bidder:

Less Premium Bid: \$ _____

Name of Company: _____

Net Interest Cost: \$ _____

Insurance Premium: \$ _____

Additional Rating (if any) at Cost of Bidder:

Name of Rating Agency:

ACCEPTANCE CLAUSE

The above bid is hereby in all things accepted by the Clovis Municipal School District No. 1, County of Curry, New Mexico, this 17th day of September, 2019.

CLOVIS MUNICIPAL SCHOOL DISTRICT NO. 1

Superintendent or Deputy Superintendent
of Finance

CERTIFICATE REGARDING ISSUE PRICE

EXHIBIT A
[to Bid Form]

The undersigned hereby certifies on behalf of _____ (the "Underwriter") as follows with respect to the \$3,000,000 Clovis Municipal School District No. 1 General Obligation School Building Bonds, Series 2019 (the "Bonds").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds.

(b) The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Defined Terms.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 2, 2019.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Compliance Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Bonds.

By: _____

Name: _____

Dated: _____

**ISSUE PRICE CERTIFICATE
SCHEDULE A**

**EXPECTED OFFERING PRICES
(Attached)**

**ISSUE PRICE CERTIFICATE
SCHEDULE B**

**COPY OF UNDERWRITER'S BID
(Attached)**

EXHIBIT B

ESTABLISHING THE ISSUE PRICE FOR THE BONDS

The District intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which require, among other things, that the District receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds ("Competitive Sale Requirement").

In the event that the bidding process does not satisfy the Competitive Sale Requirement, the fact of which will be communicated by the District's Financial Advisor to the winning bidder by 2:30 p.m. the day of sale or, in the event such information is not communicated by the District's Financial Advisor, then promptly upon the request of the winning bidder, bids will not be subject to cancellation and the winning bidder (i) agrees to promptly report to the District the first prices at which at least 10% of each maturity of the Bonds (the "First Price Maturity") have been sold to the Public on the Sale Date (the "10% Test") and (ii) agrees to hold-the-offering-price of each maturity of the Bonds that does not satisfy the 10% Test ("Hold-the-Price Maturity"), as described below.

In order to provide the District with information that enables it to comply with the establishment of the issue price of the Bonds under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the District or to the District's Financial Advisor a certification as to the Bonds' "issue price" ("Issue Price Certificate") substantially in the form and to the effect accompanying this Notice, within five business days prior to the Closing Date if the Competitive Sale Requirement is satisfied or within five business days of the date on which the 10% Test is satisfied with respect to all of the maturities. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the District. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to the Underwriter,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (a) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (b) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (c) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Bonds are awarded by the Pricing Officer pursuant to the Bond Resolution to the winning bidder.

All actions to be taken by the District under this Notice to establish the issue price of the Bonds may be taken on behalf of the District by the District's Financial Advisor, and any notice or report to be provided to the District may be provided to the District's Financial Advisor.

The District will consider any bid submitted pursuant to this Notice to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wire.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the District when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no

higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

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