

NOTICE

RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3
\$3,000,000⁽¹⁾ - General Obligation Bonds, Series 2020

Preliminary Official Statement
Dated February 6, 2020

The Preliminary Official Statement, dated February 6, 2020 (the "Preliminary Official Statement") relating to the above-described bonds (the "Bonds") of the RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3 (the "Issuer"), has been posted on the internet as a matter of convenience. Paper copies of the Preliminary Official Statement are available from the Issuer by contacting the financial advisor, RBC Capital Markets, LLC, Erik B. Harrigan at (505) 872-5999. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat XI). Although this format should replicate the Preliminary Official Statement available from the Issuer, its appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat XI may cause the Preliminary Official Statement that you view or print to differ in format from the Preliminary Official Statement.

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

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

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

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

Preliminary Official Statement dated February 6, 2020

(1) Preliminary, subject to change.

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

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 6, 2020

\$3,000,000⁽¹⁾

RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3 General Obligation Bonds, Series 2020

**NEW ISSUE
Book-Entry Only**

**Bank-Qualified
Moody's rating: Aa3 Underlying/Aa3 Enhanced**

PURPOSES	Proceeds of the Bonds will be used for the purpose of (i) erecting, remodeling, making additions to and furnishing school buildings and purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of these purposes and (ii) paying costs of issuance.
THE BONDS	The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each February 1 and August 1, commencing August 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 Paying Agent. Disbursements of such payments to DTC Participants are the responsibility of DTC. See "The Bonds - Book-Entry Only System". BOKF, N.A., New Mexico (or successor in function) will serve as the Registrar and Paying Agent for the Bonds.
OPTIONAL REDEMPTION	The Series 2020 Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS."
SECURITY	The Bonds are general obligations of the Ruidoso Municipal School District No. 3, payable solely out of general (ad valorem) property taxes which are required to be levied against all taxable property in the District without limitation as to rate or amount.
BOND AND TAX OPINION	In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing law and assuming continuous compliance with certain covenants in the documents relating to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, (the "Code") interest on the Bonds is excluded from gross income for federal income tax purposes, and the interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings. Bond Counsel is further of the opinion that interest on the Bonds is excluded from net income for purposes of certain New Mexico taxes imposed on individuals, estates, trusts and corporations. Bond Counsel expresses no opinion regarding other federal income tax consequences relating to the accrual or receipt of interest on the Bonds. (See "Tax Exemption" herein.)
DELIVERY	When, as and if issued, through DTC's facilities, on or about February 27, 2020
DATED DATE	Date of delivery
DUE DATE	August 1, as shown on the following page:

Electronic and sealed bids for the Bonds will be open at 9:00 AM, prevailing Mountain Time, February 13, 2020.
See "Official Notice of Bond Sale" enclosed for the Bonds.

(1) Preliminary, subject to change.

General Obligation School Bonds, Series 2020 ⁽¹⁾

Year	Principal	Interest Rate	Yield	Cusip # 781338	Year	Principal	Interest Rate	Yield	Cusip # 781338
2021	\$50,000				2028	\$270,000			
2022	200,000				2029	270,000			
2023	50,000				2030	270,000			
2024	95,000				2031	270,000			
2025	135,000				2032	270,000			
2026	270,000				2033	270,000			
2027	270,000				2034	310,000			

(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.*

ISSUER

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

BOARD OF EDUCATION

President: Luther Light
Vice-President: Marc Beatty
Secretary: Carrie Chavez
Member: Shane Holder
Member: Wally Murillo

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: Dr. George Bickert
Director of Finance: Clint Taylor

BOND COUNSEL

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

ELECTRONIC BID PROVIDER

i-Deal 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 Underwriters 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 Underwriters are not obligated to do this and are 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.

Modrall, Sperling, Roehl, Harris & Sisk, P.A. is serving as a bond counsel to the District, has assisted in the preparation of the Official Statement, has reviewed its contents, and has participated in conferences with representatives of the District, Financial Advisor to issue disclosure counsel opinion. 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 and special disclosure counsel for services rendered in connection with the issuance of the Bonds is contingent 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 by reference to the complete documents. Any investor who wishes to review the full text of documents may request them at no cost from the District or the Financial Advisor as follows:

District

Ruidoso Municipal School District
200 Horton Circle
Ruidoso, New Mexico 88345
(575) 257-4051
Attn: Dr. George Bickert

Financial Advisor

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

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\$3,000,000⁽¹⁾

**Ruidoso Municipal School District No. 3
General Obligation School Building Bonds, Series 2020**

INTRODUCTION

This Official Statement is furnished to prospective purchasers of Ruidoso Municipal School District No. 3, New Mexico, General Obligation School Building Bonds, Series 2020 (the "Bonds" or "Series 2020 Bonds"), issued in the aggregate principal amount of \$3,000,000 by Ruidoso Municipal School District No. 3 (the "District"). The offering of the Bonds is made only by way of this Preliminary Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Additional information concerning the District, the Bonds, and other aspects of this offering may be obtained either from the District, or RBC Capital Markets, LLC (the "Financial Advisor") at the address set forth in the section entitled "ADDITIONAL MATTERS."

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

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

The Financial Advisor

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

The Issuer

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

Security

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

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(1) Preliminary, subject to change.

Limited Role of Auditors

Except for the audited financial statements of the District for the year ended June 30, 2019, contained in Appendix B, this Official Statement presents unaudited financial and statistical information from District records and other sources.

Purpose

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

THE BONDS

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

General Terms

The Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the front cover of this Official Statement. All Bonds are fully registered in denominations of \$5,000 or integral multiples thereof in conformance with the Constitution and laws of the State and pursuant to the Bond Resolution. Bond payments will go to The Depository Trust Company ("DTC"), and DTC will then remit the payments to its participants for disbursement to the beneficial owners of the Bonds. See "**Book-Entry Only System**" in Appendix C.

Bond Registrar and Paying Agent

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

Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the 15th day of the calendar month preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar; but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof at the close of business on the Regular Record Date and shall be payable to the person who is the registered owner thereof at the close of business on the date to be fixed by Registrar whenever moneys become available for the payment of defaulted interest (the "Special Record Date").

Optional Prior Redemption

The Series 2020 Bonds maturing on and after August 1, 2029, are subject to prior redemption at the District's option in one or more units of \$5,000 on and after August 1, 2028 in whole or in part at any time in such order of maturities as the District may determine for the principal amount of each \$5,000 unit of principal so redeemed and accrued interest to the redemption date. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

Transfers and Exchanges

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

Limited Book-Entry Responsibilities

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

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

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

SECURITY AND REMEDIES

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

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

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

Limitations of Remedies

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

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

New Mexico School District Enhancement Program

The New Mexico legislature amended NMSA 1978, Sections 22-18-1 et. seq. in the first session of 2003 by adding Section 22-18-13 which became effective July 1, 2003. Section 22-18-13 was further amended in 2007 and provides that, if 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.

DEBT AND OTHER FINANCIAL OBLIGATIONS

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

The most recent assessed valuation of taxable property within the District is \$742,800,944 for the tax year 2019, 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 \$44,568,057.

After the Bonds are issued, the ratio of net outstanding general obligation (G/O) debt of the District to the 2019 assessed valuation will be no greater than 4.81% as summarized on the following page:

2019 Assessed Valuation	\$742,800,944
2019 Estimated Actual Valuation	\$2,332,421,142 ⁽¹⁾
Bonded Debt	
Current Total Outstanding (Including the Bonds)	\$36,365,000
Less Debt Service Fund Balance	\$602,857 ⁽²⁾
NET DEBT	\$35,762,143
Ratio of Estimated Net Debt to 2019 Assessed Valuation:	4.81%
Ratio of Estimated Net Debt to 2019 Estimated Actual Valuation:	1.53%
Per Capita Net Bonded Debt:	\$2,629.57
Est. Population:	13,600

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

(2) The net cash balance as of 12/31/2019 was \$2,039,377. The amount properly attributable to principal reduction is 30%.

Selected Debt Ratios

2019 Assessed Valuation	\$742,800,944
2019 Estimated Actual Valuation	\$2,332,421,142
District General Obligation	
Debt Outstanding (Including the Bonds)	\$36,365,000 ⁽¹⁾
District Net General Obligation Debt	\$35,762,143
District Net Debt as a Percentage of	
Assessed Valuation	4.81%
Estimated Actual Valuation	1.53%
Estimated Direct & Overlapping G/O Debt	\$61,685,573
Direct & Overlapping Debt as a Percentage of	
Assessed Valuation	8.30%
Estimated Actual Valuation	2.64%
Estimated Population	13,600
District Net Debt Per Capita	\$2,629.57
Direct & Overlapping Debt Per Capita	\$4,535.70

(1) Preliminary, subject to change.

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	9,000,000	01-Aug-25	7,100,000
2013	5,000,000	01-Aug-25	2,750,000
2014	9,980,000	01-Aug-22	3,605,000
2015	6,325,000	01-Aug-22	3,370,000
2016	9,500,000	01-Aug-31	8,915,000
2017A	5,600,000	01-Aug-32	5,350,000
2018	2,700,000	01-Aug-31	2,275,000
2020	3,000,000	01-Aug-34	3,000,000 ⁽¹⁾
	\$51,105,000		\$36,365,000

(1) Preliminary, 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 2020 Bonds ⁽¹⁾				Total Requirements		
	Principal	Interest	Total	Principal	Coupon	Interest	Total	Principal	Interest	Total
2020	\$3,240,000	\$896,813	\$4,136,813			\$60,958	\$60,958	\$3,240,000	\$957,771	\$4,197,771
2021	3,285,000	828,675	4,113,675	\$50,000	4.750%	142,500	192,500	3,335,000	971,175	4,306,175
2022	3,250,000	754,150	4,004,150	200,000	4.750%	140,125	340,125	3,450,000	894,275	4,344,275
2023	3,125,000	675,600	3,800,600	50,000	4.750%	130,625	180,625	3,175,000	806,225	3,981,225
2024	3,365,000	597,100	3,962,100	95,000	4.750%	128,250	223,250	3,460,000	725,350	4,185,350
2025	3,275,000	507,500	3,782,500	135,000	4.750%	123,738	258,738	3,410,000	631,238	4,041,238
2026	2,175,000	413,725	2,588,725	270,000	4.750%	117,325	387,325	2,445,000	531,050	2,976,050
2027	2,180,000	350,075	2,530,075	270,000	4.750%	104,500	374,500	2,450,000	454,575	2,904,575
2028	2,180,000	288,275	2,468,275	270,000	4.750%	91,675	361,675	2,450,000	379,950	2,829,950
2029	2,180,000	223,225	2,403,225	270,000	4.750%	78,850	348,850	2,450,000	302,075	2,752,075
2030	2,180,000	158,175	2,338,175	270,000	4.750%	66,025	336,025	2,450,000	224,200	2,674,200
2031	2,315,000	93,125	2,408,125	270,000	4.750%	53,200	323,200	2,585,000	146,325	2,731,325
2032	615,000	24,600	639,600	270,000	4.750%	40,375	310,375	885,000	64,975	949,975
2033				270,000	4.750%	27,550	297,550	270,000	27,550	297,550
2034				310,000	4.750%	14,725	324,725	310,000	14,725	324,725
	\$33,365,000	\$5,811,038	\$39,176,038	\$3,000,000		1,320,421	\$4,320,421	\$36,365,000	\$7,131,459	\$43,496,459

(1) Preliminary, subject to change. Interest rate of 4.75% is used for illustration purposes only

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.

	2019 Assessed Value	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico	\$66,382,974,295	\$490,910,000	1.12%	\$5,493,101
Lincoln County	1,337,811,151	22,865,000	55.52%	12,695,472
Village of Ruidoso	559,795,856	6,340,000	100.00%	6,340,000
City of Ruidoso Downs	53,261,567	792,000	100.00%	792,000
Ruidoso Municipal Schools	742,800,944	36,365,000	100.00%	36,365,000 ⁽¹⁾
Total Direct & Overlapping				\$61,685,573
Ratio of Estimated Direct & Overlapping Debt to 2019 Assessed Valuation:			8.30%	
Ratio of Direct & Overlapping Debt to 2019 Estimated Actual Valuation:			2.64%	
Per Capita Direct & Overlapping Debt:			\$4,535.70	
Estimated Population:			13,600	

Source: Lincoln County Assessor's Office and individual entities.

(1) Preliminary, subject to change.

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TAX BASE

Analysis of Assessed Valuation

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

	2015	2016	2017	2018	2019
Assessments					
Value of Land	\$154,766,428	\$156,198,996	\$156,829,730	\$162,150,293	\$165,650,325
Improvements	508,030,498	519,720,148	524,485,802	550,709,500	575,148,749
Personal Property	7,976,605	7,765,488	7,678,537	7,281,222	7,530,866
Mobile Homes	11,059,697	11,097,473	11,019,675	10,955,618	10,931,236
Livestock	234,667	375,788	299,672	197,206	223,829
Assessor's Total Value	\$682,067,895	\$695,157,893	\$700,313,416	\$731,293,839	\$759,485,005
Less Exemptions	\$30,885,092	\$31,299,788	\$33,403,536	\$34,017,757	\$34,672,770
Assessors Net Valuation	\$651,176,664	\$663,858,105	\$666,909,880	\$697,276,082	\$725,029,315
Centrally Assessed	14,135,529	13,055,464	14,432,351	15,746,653	17,771,629
Total Assessed Valuation	\$665,312,193	\$676,913,569	\$681,342,231	\$713,022,735	\$742,800,944
Residential	\$469,947,609	\$483,095,525	\$488,742,970	\$502,058,387	\$519,159,130
Non-Residential	195,364,584	193,818,044	192,599,261	210,964,348	223,641,814
Total	\$665,312,193	\$676,913,569	\$681,342,231	\$713,022,735	\$742,800,944

Source: Lincoln County Assessor.

History of Assessed Valuation

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

	Ruidoso MSD	Lincoln County
2019	\$742,800,944	\$1,337,811,151
2018	713,022,735	1,297,577,599
2017	681,342,231	1,231,485,644
2016	676,913,569	1,236,883,689
2015	665,312,193	1,181,047,142

Source: Lincoln County Assessor's Office

Major Taxpayers

Below is a three year history of the major taxpayers in the District. In 2019, the ten largest taxpayers in the District had a combined assessed valuation of \$20,945,154 which represents 2.82% of the 2019 assessed valuation.

Taxpayer	Business	2019 Assessed Valuation	% of District A.V.
PNM Electric	Electric Utility	\$7,122,797	0.96%
Valor Telecom	Telephone Utility	2,611,119	0.35%
Zia Natural Gas Co.	Gas Utility	2,451,838	0.33%
TDS Baja Broadband	Cable Provider	2,022,772	0.27%
Otero Electric	Electric Utility	1,840,756	0.25%
DN Hospitality, Inc.	Real Estate	1,135,273	0.15%
Pinecliff Village	Real Estate	1,104,492	0.15%
Camelot Place	Real Estate	894,232	0.12%
Strathmann Investments	Real Estate	881,497	0.12%
Jayshree	Real Estate	880,378	0.12%
Total		\$20,945,154	2.82%

Source: Lincoln County Assessor's Office

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Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within a taxing district to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question.

Within 20 Mill Limit for General Purposes					
	2019	2018	2017	2016	2015
State of New Mexico	0.000	0.000	0.000	0.000	0.000
Lincoln County	8.035	7.973	7.889	5.038	5.169
Village of Ruidoso	5.349	5.248	5.149	5.080	5.169
Ruidoso Schools	0.320	0.315	0.310	0.306	0.311
Total	13.704	13.536	13.348	10.424	10.649
Over 20 Mill Limit - Interest, Principal, Judgement, etc.					
State of New Mexico	1.360	1.360	1.360	1.360	1.360
Lincoln County	0.000	0.000	0.000	2.750	2.750
Village of Ruidoso	1.489	1.506	1.507	1.500	1.500
Other	4.487	4.461	4.432	4.380	4.409
Ruidoso Schools	7.935	7.937	7.906	7.911	7.945
Total	15.271	15.264	15.205	17.901	17.964
Total Levy					
State of New Mexico	1.360	1.360	1.360	1.360	1.360
Lincoln County	8.035	7.973	7.889	7.788	7.919
Village of Ruidoso	6.838	6.754	6.656	6.580	6.669
Other	4.487	4.461	4.432	4.380	4.409
Ruidoso Schools	8.255	8.252	8.216	8.217	8.256
Total Residential - Ruidoso	28.975	28.800	28.553	28.325	28.613
Total Non-Residential - Ruidoso	31.486	31.257	31.819	31.202	30.914
Total Non-Residential in Unincorporated County	25.690	25.470	25.741	25.170	24.932
Total Residential - Ruidoso Downs	29.523	29.282	29.003	28.924	29.244
Total Non-Residential - Ruidoso Downs	35.592	35.156	35.500	35.049	34.833

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 2015 tax year (2015-19 fiscal years). The Two Mill Levy is renewed every six years, most recently on February 2, 2019. The next Two Mill Levy election is scheduled for November 2023.

Tax Year	Operational		Two Mill Levy		G/O Bonds	Total	
	Resid.	Non-Resid.	Resid.	Non-Resid.		Resid.	Non-Resid.
2015	0.311	0.442	2.000	2.000	5.945	8.256	8.387
2016	0.306	0.447	1.968	2.000	5.943	8.217	8.390
2017	0.310	0.452	1.993	2.000	5.913	8.216	8.365
2018	0.315	0.425	2.000	1.977	5.951	8.266	8.353
2019	0.320	0.438	2.000	2.000	5.935	8.255	8.373

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 fact is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication entitled "Survey of Current Business," or any successor publication) and is a percent (not to exceed 5%) that is derived by dividing the increase in the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year. *The growth control factor applies to authorized operating levies and to any capital improvements levies, but does not apply to levies for paying principal and interest on public general obligation debt.*

Developments Limiting Residential Property Tax Increases

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

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

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

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

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

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

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

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

Tax Collections History

General (ad valorem) taxes for all units of government are collected by the county treasurer and distributed monthly to the various political subdivisions to which they are due.

Property taxes are due in two installments. The first half installment is due on November 10 and becomes delinquent on December 10. The second half installment is due on April 10 and becomes delinquent on May 10.

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

Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Current Tax Collections ⁽¹⁾	Current Collections as a % of Net Levied	Current/Delinquent Tax Collections ⁽²⁾	Current/Delinquent Collections as a % of Net Levied
2018	18/19	31,916,431	30,426,714	95.33%	30,902,680	96.82%
2017	17/18	30,372,836	28,989,486	95.45%	29,968,095	98.67%
2016	16/17	29,974,595	29,316,670	97.81%	29,824,273	99.50%
2015	15/16	29,312,971	27,927,862	95.27%	29,366,302	100.18%
2014	14/15	28,333,405	27,022,070	95.37%	28,304,273	99.90%

(1) Current collections through June 30 of each year

(2) As of October 31, 2019.

Source: Lincoln County Treasurer's Office

Interest on Delinquent Taxes

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

Penalty for Delinquent Taxes

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

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

Remedies Available for Non-Payment of Taxes

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

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

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

THE DISTRICT

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

The District employs 237 permanent employees of which 14 are administrators, 117 are teachers and other professional instructional personnel, 35 are instructional assistants, and 71 are support and administrative staff.

School District Powers

Pursuant to Chapter 27, Section 22-2-1, NMSA 1978, the District's powers are subject to regulations promulgated by the Secretary of the New Mexico Public Education Department ("PED") with the advice of the Public Education Commission. The Secretary of PED (the "Secretary") is responsible for control, management and direction of all public schools. The Public Education Commission is comprised of ten members, elected from public education districts for staggered four-year terms. Generally, the powers of the PED include determining policy of operations of all public schools; designating courses of instruction for all public schools in the State; adopting regulations for the administration of all public schools; determining qualifications for teachers, counselors, and their assistants; and prescribing minimum educational standards for all public schools. The PED may order the creation of new school districts or may require consolidation of school districts.

Management

The District Board (the "Board"), subject to regulations of the Secretary, develops educational policies for the District. The local school Board shall have the following powers or duties: 1) subject to the rules of the department, develop educational policies for the school; 2) employ a superintendent of schools and fix the superintendent's salary; 3) review and approve the annual school budget; 4) acquire, release and dispose of property; 5) have the capacity to sue and be sued; 6) acquire property by eminent domain; 7) issue general obligation bonds of the school district; 8) provide for

the repair of and maintain all school property; 9) subpoena witnesses and documents in connection with a hearing concerning powers of the school board; 10) except for expenditures for salaries, contract for expenditure of money; 11) adopt rules pertaining to the administration of all powers or duties of the school board; 12) accept or reject any charitable gift, grant, devise or bequest; 13) offer and pay rewards for information leading to the arrest and conviction of offenders in case of theft, defacement or destruction of school property; and 14) give prior approval for any educational program in a public school that is to be conducted, sponsored, carried on or caused to be carried on by a private organization. Members serve without compensation for four-year terms of office in non-partisan elections held every two years on the first Tuesday in February. The current District Board Members are:

Luther Light, President
Term expires December 31, 2021

Shane Holder, Member;
Term expires December 31, 2023

Marc Beatty, Vice President;
Term expires December 31, 2021

Wally Murillo, Member;
Term expires December 31, 2023

Carrie Chavez, Secretary,
Term expires December 31, 2021

Administration and Staff

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

Dr. George Bickert, Superintendent of Schools:

Dr. Bickert serves as Superintendent of Ruidoso Municipal Schools. Dr. Bickert began his career in education as a special education teacher in Swainsboro, Georgia in 1991 and served in Cartersville, Georgia before coming to New Mexico in 2006. Bickert became Superintendent of Ruidoso Schools in 2013, after serving as a principal at Tohatchi Elementary School (2006-2009) and Crownpoint High School (2009-2013) in the Gallup-McKinley County School District. Superintendent Bickert earned a doctoral degree from Arizona State University in 2011, and holds an education specialist and a master's degree from Georgia Southern University. Dr. Bickert is currently under contract through June 30, 2021.

Clint Taylor, Director of Business and Finance:

Mr. Taylor has served as the District's Director of Business and Finance, and Chief Procurement Officer since July of 2016. Mr. Taylor holds a Level 2 New Mexico School Business Officials license, and earned a bachelor's degree from Texas Tech University and a master's degree from George Washington University.

Insurance

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

Accreditation

All of the District's schools are accredited by AdvancED. The accreditation is by school and district.

Student Enrollment

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

School Year	Enrollment
2015-16	1,962
2016-17	1,985
2017-18	1,987
2018-19	2,021
2019-20	2,031

Source: New Mexico Public Education Department.

FINANCES OF THE EDUCATIONAL PROGRAM

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

Sources of Revenue for General Fund

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

Local Revenues - Local revenues are a source of revenue to the District composed, in part, by a property tax annually levied on and against all of the taxable property within the District for operational purposes. The levy is limited by State law to a rate of 50 cents for each \$1,000 of net taxable value of taxable property. Other sources of local revenues include interest income earned on the District's investments, rentals and sale of property. In the fiscal year 2019, the District received \$251,103 from local sources.

Federal Revenues - Another source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs and P.L. 874 federal impact moneys paid to the District in lieu of taxes on federal land located in the District. In fiscal year 2019, the District received \$542,396 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 2019, the District received \$15,811,467 from state sources. Such payments represented approximately 94.41% actual fiscal year 2019 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 cost increases for growth in enrollment from one year to the next, and adjustments for the creation of new districts.

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

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

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

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

SEG payments for the budgeted past five fiscal years are as follows:

Year	Program	
	Unit Factor	Amount
2015-2016	4,027.75	14,061,810
2016-2017	3,979.63	14,532,152
2017-2018	4,053.55	14,664,418
2018-2019	4,159.23	14,953,089
2019-2020	4,565.00	16,228,525

Source: New Mexico Public Education Department.

The PED receives Federal mineral-leasing funds from which it makes annual allocations to the school district for purchasing text books. In 2019, the District received \$67,040 of cash and credit for textbook purchases.

The District is also reimbursed by the State for the costs of transporting pupils to and from school pursuant to the Act. These payments are based upon a formula consisting of the number of students per square mile that are transported. In 2019 the District received \$872,073 for transportation purposes.

District Budget Process

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

- Before April 15 of each year, the District must submit an estimated budget for the next school year to PED. If the District fails to submit a budget, PED must prepare a District budget for the ensuing year.
- Before July 12 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
- On or before July 1 of each year, PED must approve and certify an approved operating budget for use by the District board.

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

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

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

Balance Sheet – General Fund Only

The following is a history of the District's General Fund Balance Sheet. The General Fund includes Operational, Transportation and Instructional Materials. See financial statements for the fiscal year ending June 30, 2019 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2019 and the last four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit_reports.

BALANCE SHEET - GENERAL FUND ⁽¹⁾

	<u>06/30/15</u>	<u>06/30/16</u>	<u>06/30/17</u>	<u>06/30/18</u>	<u>06/30/19</u>
ASSETS:					
Cash & Cash equivalents	\$ 3,160,406	\$ 4,970,115	\$ 4,354,209	\$ 4,799,602	\$ 5,389,236
Property Taxes		11,168	7,193	20,765	20,495
Due from other agencies					
Due from other funds	590,241	413,729	246,799	576,953	1,451,956
Other	<u>7,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ 3,757,894	\$ 5,395,012	\$ 4,608,201	\$ 5,397,320	\$ 6,861,687
LIABILITIES AND EQUITY:					
Accounts payable			47,322	34,374	700,440
Accrued payroll		708,817			
Due from other funds	1,200				6,164
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	\$ 1,200	\$ 708,817	\$ 47,322	\$ 34,374	\$ 706,604
<i>Deferred inflows of resources</i>					
Deferred Revenue	\$ 7,247	\$ 7,557	\$ 4,044	\$ 16,776	\$ 16,659
Fund balances:					
Restricted	51,619	51,099	-	-	4,520,223
Unassigned	<u>3,697,828</u>	<u>4,627,539</u>	<u>4,556,835</u>	<u>5,346,170</u>	<u>1,618,201</u>
Total Fund balances	\$ 3,749,447	\$ 4,678,638	\$ 4,556,835	\$ 5,346,170	\$ 6,138,424
Total Liabilities and fund balances	<u>\$ 3,757,894</u>	<u>\$ 5,395,012</u>	<u>\$ 4,608,201</u>	<u>\$ 5,397,320</u>	<u>\$ 6,861,687</u>

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

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

A portion of the audited report for fiscal 2019 is attached as Appendix B.

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

The following is a history of the District's General Fund Statement of Statement of Revenues, Expenditures & Changes in Fund Balances. The General Fund includes Operational, Transportation and Instructional Materials. See financial statements for the fiscal year ending June 30, 2019 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2019 and the last four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit_reports.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND ⁽¹⁾

<i>Year Ending June 30</i>	<u>06/30/15</u>	<u>06/30/16</u>	<u>06/30/17</u>	<u>06/30/18</u>	<u>06/30/19</u>
Revenues:					
Property Taxes	\$223,836	\$234,926	\$234,189	\$239,571	\$251,103
Fees and Charges	46,368	51,547	71,276	58,938	16,035
State Sources	15,763,471	15,185,899	14,102,793	15,128,812	15,811,467
Federal Sources	556,495	521,438	313,561	468,260	542,396
Investment Earnings	3,642	11,201	26,981	35,134	40,985
Miscellaneous	<u>86,958</u>	<u>229,012</u>	<u>82,710</u>	<u>66,114</u>	<u>79,321</u>
<i>Total Revenues</i>	16,680,770	16,234,023	14,831,510	15,996,829	16,741,307
Expenditures:					
Instruction	8,272,718	8,586,966	8,277,300	8,517,071	8,770,633
Support Services - Students	1,233,171	1,050,176	1,222,512	1,304,531	1,364,857
Support Services - Instruction	444,022	434,144	414,454	411,169	466,898
Support Services - General Administration	397,401	382,169	351,423	376,288	384,584
Support Services - School Administration	1,091,311	1,041,812	981,960	937,803	950,563
Central Services	548,615	577,153	604,599	593,947	588,750
Operation & Maintenance of Plant	2,169,624	2,311,102	2,214,225	2,158,360	2,555,695
Other Support Services	-	-	-	-	-
Community Services	-	-	-	-	-
Pupil Transportation	<u>820,214</u>	<u>921,764</u>	<u>886,840</u>	<u>883,706</u>	<u>872,073</u>
<i>Total Expenditures</i>	14,977,076	15,305,286	14,953,313	15,182,875	15,954,053
<i>Excess revenues over expenditures</i>	1,703,694	928,737	(121,803)	789,581	792,254
Fund Balance Beginning of Year	\$2,045,753	\$3,749,447	\$4,678,638	\$4,556,835	\$5,346,170
Transfers/Refunds/Adjustments	<u>-</u>	<u>454</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at End of Year	\$3,749,447	\$4,678,638	\$4,556,835	\$5,346,416	\$6,138,424

(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 audited report for the year ended June 30, 2019 is attached as Appendix B.

Employees and Retirement Plan

The District employs 237 permanent employees of which 14 are administrators, 117 are teachers and other professional instructional personnel, 35 are instructional assistants, and 71 are support and administrative staff.

Employee Retirement Plan

Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act ("ERA") (Chapter 22, Article 11, Sections 1 through 52, NMSA 1978.) The Educational Retirement Board (ERB) is the administrator of the New Mexico Educational Employee's Retirement Plan (Plan), which is a cost-sharing, multiple-employer defined benefit retirement plan. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained www.nmerb.org, www.saonm.org, or by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502.

Membership in the Plan is a condition of employment. Employees of public schools, universities, regional cooperatives, special schools and state agencies providing educational programs, who are employed at more than 25% of a full-time equivalency, are required to be members of the Plan. There were 156,789 active, retired, and inactive members in fiscal year 2018; there were 153,514 active, retired, and inactive members in fiscal year 2017.

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

Fiscal Year Ending June 30	Employer Contributions	Employee Contributions	Net Assets Held in Trust
2014	362,462,537	268,693,991	11,442,171,449
2015	395,129,621	292,822,396	11,497,723,115
2016	396,988,557	293,847,970	11,532,837,951
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

Funding Policy

Contributions:

The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2018 employers contributed 13.9% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2018 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$1,352,272 for the year ended June 30, 2018.

Net Pension Liability:

The total ERA pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2018. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018. At June 30, 2019, the District reported a liability of \$41,391,345 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2018. The contribution amounts were defined by Section 22-11 21, NMSA 1978. At June 30, 2018, the District's proportion was .01733 percent, which was an increase of .01733 percent from its proportion measured as of June 30, 2017.

Recent Legislative Changes

Recent legislative changes enacted during the 2012, 2013 and 2019 legislative sessions also amended various provisions of the ERA. House Bill 360 below is the most recent legislative action.

House Bill 360("HB-360") amends the ERA to increase employer contributions to the educational retirement fund; increase the salary level employees would be required to reach before paying a higher contribution rate; increase the age or years of service requirements for new members to be eligible for retirement and reduce retirement benefits for new employees who work for less than 30 years; make changes to the return-to-work program; require most retirees from the Public Employees Retirement Association (PERA) to make contributions to the educational retirement fund if they become employed by an ERA-covered employer; change the salary calculation for determining retirement benefits for employees that receive a salary increase of more than 30 percent, and require substitute teachers to become members of the Educational Retirement Board (ERB) if they are employed at least one quarter time (0.25 FTE).increase employer contributions .

The law amends ERA to provide for employer contribution of 14.15 percent of annual salary, rather than 14.4 percent of annual salary, eliminate contribution increases in FY21 and FY22, require that a retired employee working 0.25 FTE or less make nonrefundable contributions to the educational retirement fund, and delayed the date for which substitute teachers with a FTE of more than 0.25 FTE would be required to become a member of the Educational Retirement Board (ERB) to July 1, 2020. House Bill 2 also approved by the legislature in 2019 included an increases to the state equalization guarantee for FY 2020 to increase employer contributions to ERB to offset the impact of HB 360

Post-Employment Benefits

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

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

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

Funding Policy

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board. The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required The Retiree Health Care Act.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the year ending June 30, 2018 was \$194,573, which equal the required contributions for each year.

TAX EXEMPTION

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

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

The Code prescribes a number of qualifications that must be met and conditions that must be satisfied in order for the interest on state and local government obligations such as the Bonds to be and remain excluded from gross income for federal income tax purposes. Some of these provisions, including provisions for the rebate by the issuer of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income taxes. The District covenants in the Bond Resolution to take all actions

that may be required of it in order for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

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

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

Qualified Tax-Exempt Obligations

The Bonds are designated in the Bond Award as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. The District covenants that the District, having no "subordinate entities" with authority to issue obligations within the meaning of that Section of the Code, in or during the calendar year in which the Bonds are issued (i) will not designate as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, tax-exempt obligations, including the Bonds, in an aggregate principal amount in excess of \$10,000,000, and (ii) will not issue tax-exempt obligations within the meaning of Section 265(b)(4) of the Code, including the Bonds and qualified 501(c)(3) bonds as defined in Section 145 of the Code (but excluding obligations other than qualified 501(c)(3) bonds, that are private activity bonds as defined in Section 141 of the Code), in an aggregate principal amount exceeding \$10,000,000 unless the District receives an opinion of nationally recognized bond counsel that such designation or issuance, as applicable, will not cause the Bonds to cease to be "qualified tax-exempt obligations."

Internal Revenue Service Audit Program

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

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

ORIGINAL ISSUE DISCOUNT

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

ORIGINAL ISSUE PREMIUM

The Bonds may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holders'

tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisor for an explanation of the amortization rules.

LITIGATION

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

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

RATINGS

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

LEGAL MATTERS

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

CONTINUING DISCLOSURE UNDERTAKING

For the benefit of bondholders and to enable a broker, dealer or municipal securities dealer to comply with requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission, the District has undertaken to provide to the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Access ("EMMA") system, its audited financial statements and certain financial and operating information. The District will provide financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "THE DISTRICT- Student Enrollment," and "FINANCES OF THE EDUCATIONAL PROGRAM - State Equalization Program, Statement of Net Assets, Statement of Activities, Balance Sheet – General Fund, Statement of Revenues & Expenditures & Changes in Fund Balances – General Fund." The District will update and provide this information no later than March 31 of each year, commencing March 31, 2020. A draft of the Continuing Disclosure Undertaking (the "Undertaking") is attached hereto as Appendix E.

Any or all of such information may be incorporated by reference from other documents, as permitted by the Rule. The annual information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements and audited financial statements when and if audited financial statements become available. Any such financial statements will be prepared in accordance with generally accepted accounting principles

and state law requirements, as in effect from time to time. (See Note 1 of the District's audited financial statements included as Appendix B for a description of the accounting principles currently followed in the preparation of the District's audited annual financial statements.)

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

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

Compliance with Prior Undertakings

During the past five years, the District has made continuing disclosure agreements in accordance with SEC Rule 15c2-12 and is in material compliance with such agreements. The District notes that the District's Annual Reports filed for Fiscal Years 2014 and 2015 were made available to the Municipal Securities Rulemaking Board timely, and in accordance with the Rule, but were not properly attributed to each CUSIP number covered thereby. The filings have since been associated with all related CUSIP numbers.

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."

* 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 15c2-12 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.

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described under "Annual Reports" and "Material Event Notices" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314 and its telephone number is (703) 797-6600.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds in the primary offering of the Bonds.

ADDITIONAL MATTERS

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

A LAST WORD

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

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

/s/

_____, President, Board of Education

/s/

_____, Secretary, Board of Education

APPENDIX A

ECONOMIC & DEMOGRAPHIC INFORMATION

THE ECONOMY

The Ruidoso Municipal School District is located in south-central New Mexico, encompasses approximately 140 square miles and has an estimated population of 13,600. Principal municipalities in the District are the village of Ruidoso and the city of Ruidoso Downs. The Village of Ruidoso is approximately 200 miles southeast of Albuquerque, 72 miles west of Roswell and 132 miles northeast of El Paso, Texas.

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

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

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

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

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

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

Population

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

US Census Year	Village of Ruidoso	Lincoln County	State of New Mexico
1970	2,216	7,560	1,017,055
1980	4,260	10,997	1,303,143
1990	4,600	12,219	1,515,069
2000	7,848	19,411	1,826,280
2010	8,029	20,497	2,065,826
2018 ⁽³⁾	7,848	19,556	2,095,428
2019 ⁽¹⁾	7,328	19,284	2,087,058
2024 ⁽²⁾	7,103	18,994	2,110,892

(1) Estimates. Source: Spotlight, December 2019

(2) Projected. Source: Spotlight, December 2019

(3) U.S. Census Bureau, December 2019

Age Distribution

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

Age Group	Lincoln County	New Mexico	United States
0 - 17	18.0%	23.9%	22.8%
18 - 24	6.7%	9.8%	9.8%
25 - 34	9.1%	13.3%	13.40%
35 - 44	8.8%	11.9%	12.60%
45 - 54	10.8%	11.9%	13.10%
55 and Older	46.6%	29.2%	28.3%

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

Income Group	Lincoln County	New Mexico	United States
Under \$25,000	31.1%	26.4%	20.4%
\$25,000 - \$34,999	11.7%	10.2%	9.2%
\$35,000 - \$49,999	15.6%	13.6%	12.9%
\$50,000 - \$74,999	16.4%	17.1%	17.1%
\$75,000 and over	25.2%	32.6%	40.5%
2015 Est. Median Household Income	\$46,324	\$45,633	\$53,706
2016 Est. Median Household Income	\$41,609	\$45,445	\$55,551
2017 Est. Median Household Income	\$41,407	\$47,043	\$57,462
2018 Est. Median Household Income	\$42,981	\$48,044	\$60,133
2019 Est. Median Household Income	\$41,511	\$49,654	\$60,336

Source: Spotlight, December 2019.

Employment

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

Year ⁽¹⁾	Lincoln County		State of New Mexico		United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2019 ⁽²⁾	8,743	4.50%	970,597	5.50%	4.10%
2018	8,819	3.30%	940,359	4.90%	3.90%
2017	8,657	5.50%	929,567	6.20%	4.40%
2016	8,438	6.20%	928,732	6.70%	4.90%
2015	8,613	5.80%	927,999	6.50%	5.30%
2014	8,738	6.10%	927,142	6.70%	6.20%
2013	8,817	6.50%	923,899	6.90%	7.40%
2012	8,946	6.50%	927,795	7.10%	8.10%
2011	9,085	6.80%	930,356	7.50%	8.90%
2010	9,380	7.50%	936,088	8.10%	9.60%

(1) Numbers are annual averages.

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

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

Major Employers

The following table shows major employers in Lincoln County.

Major Employers - Lincoln County	Number of Employees
Inn of the Mountain Gods	800
Lincoln County Medical Center	265
Ruidoso Municipal School District	230
Village of Ruidoso	211
Walmart	150
Albertsons	180
Ruidoso Downs Racetrack	100
ENMU-Ruidoso	100
Casa Blanca	80
Region IX	75

Source: Ruidoso Chamber of Commerce, December 2019

Covered Wage and Salary Employment

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

	2015	2016	2017	2018	2019 ⁽¹⁾
Grand Total	6,427	6,460	6,304	6,410	6,827
Total Private	5,265	5,250	5,115	5,086	5,599
Accommodation and Food Services	1,361	1,364	1,258	1,342	1,437
Administrative and Waste Services	149	153	198	212	234
Agriculture, Forestry, Fishing & Hunting	74	74	71	65	74
Arts, Entertainment, and Recreation	543	579	502	590	743
Construction	338	317	372	380	381
Educational Services	18	15	485	442	473
Finance and Insurance	146	144	167	168	186
Health Care and Social Assistance	632	655	701	644	642
Information	79	85	87	77	69
Management of Companies and Enterprises	*	*	*	*	*
Manufacturing	47	48	69	101	136
Mining	*	*	*	*	*
Other Services, Ex. Public Admin	198	196	194	193	203
Professional and Technical Services	148	146	136	149	151
Real Estate and Rental and Leasing	141	143	149	152	205
Retail Trade	1,208	1,157	1,217	1,191	1,175
Transportation and Warehousing	53	51	89	81	73
Utilities	76	77	125	128	126
Wholesale Trade	36	36	42	22	19
Total Government	1,162	1,210	1,189	1,209	1,228

(1) Data as of Second 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, 2019

STATE OF NEW MEXICO
**RUIDOSO MUNICIPAL
SCHOOL DISTRICT NO. 3**

ANNUAL FINANCIAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2019
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION
OF
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2019
JULY 1, 2018 THROUGH JUNE 30, 2019

Our Mission

Ruidoso Municipal School District in partnership with students, families and the community, ensures a rigorous and relevant student-centered learning environment that cultivates character, fosters academic excellence and embraces diversity.

Our Vision

The Vision of Ruidoso Municipal School District is to grow a collaborative learning community where relationships, rigor, and relevance develop fulfilled and purposeful adults.

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Year Ended June 30, 2019

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OFFICIAL ROSTER

Year Ended June 30, 2019

BOARD OF EDUCATION

Luther Light	President
Marc Beatty	Member
Gillian Baudo	Secretary
Shane Holder	Member
Gina Klinekole	Vice-President

SCHOOL OFFICIALS

George Bickert	Superintendent
Clint Taylor	Director of Business and Finance
Veronica Prieto	Financial Specialist/Procurement Officer
Ann Spence	AP
Sandra Ashcraft	Payroll
Lisa Brillante	H.R.

AUDIT COMMITTEE

Luther Light	Member
Marc Beatty	Member
Tom Rigsby	Member
Ben Byrd	Member
Dr. George Bickert	Member
Clint Taylor	Member

FINANCE COMMITTEE

Dr. George Bickert	Member
Clint Taylor	Member
Luther Light	Member
Marc Beatty	Member

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FINANCIAL SECTION
OF
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2019
JULY 1, 2018 THROUGH JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of Ruidoso Municipal School District No. 3, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise Ruidoso Municipal School District No. 3 basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Ruidoso Municipal School District No. 3' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ruidoso Municipal School District No. 3, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Accounting principles generally accepted in the United States of America also require that the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions for pensions and OPEB on pages 49-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ruidoso Municipal School District No. 3' basic financial statements. The supplemental information such as the budgetary comparisons for the major capital project fund, the combining and individual nonmajor fund financial statements, the budgetary comparisons for non-major special revenue funds, capital projects funds, debt service funds, and the other information, such as the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and other schedules required by 2.2.2 NMAC 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 18, 2019 on our consideration of the Ruidoso Municipal School District No. 3' 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 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 Ruidoso Municipal School District No. 3' internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 18, 2019

BASIC FINANCIAL STATEMENTS
OF
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 15,237,468
Receivables:	
Delinquent property taxes receivable	463,812
Grant	1,702,035
Food inventory	11,633
Non-current:	
Non-depreciable assets	2,195,700
Depreciable capital assets, net	<u>64,444,977</u>
Total Assets	<u>84,055,625</u>
 Deferred Outflows of Resources:	
Contributions to pension subsequent to the measurement date	1,392,111
Difference between expected and actual pension experience	30,209
Net difference between projected and actual investment earnings on pension plan investments	91,630
Net change in pension assumptions	8,530,560
Net change in proportionate share of pension liability	1,017,362
Contributions to OPEB subsequent to the measurement date	200,306
Net change in proportionate share of OPEB liability	<u>627,522</u>
Total Deferred Outflows of Resources	<u>\$ 11,889,700</u>

(cont'd; 1 of 2)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 802,571
Accrued interest	401,975
Compensated absences	111,077
Long-term liabilities other than pensions:	
Due within one year	3,550,000
Due in more than one year	34,510,893
Aggregate net pension liability	41,391,345
Aggregate OPEB liability	<u>9,906,422</u>
Total Liabilities	<u>90,674,283</u>
 Deferred Inflows of Resources	
Advances of federal, state, and local grants	32
Difference between expected and actual pension experience	787,744
Net change in proportionate share of pension liability	336,469
Difference between expected and actual OPEB experience	586,524
Net difference between projected and actual investment earnings on OPEB plan investments	123,628
Net change in OPEB assumptions	<u>1,849,485</u>
Total Deferred Inflows of Resources	<u>3,683,882</u>
 Net Position	
Net investment in capital assets	31,995,595
Restricted for:	
Special revenue funds	1,022,751
Capital projects	1,301,331
Debt service	4,303,761
Unrestricted	<u>(37,036,278)</u>
Total Net Position	<u>\$ 1,587,160</u>

(2 of 2)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Primary government:					
Governmental activities:					
Instruction	\$ 17,704,596	\$ 16,035	\$ 3,335,850	\$ 136,169	\$ (14,216,542)
Support Services - Students	2,347,359	48,459	442,283	-	(1,856,617)
Support Services - Instruction	912,309	-	171,895	-	(740,414)
Support Services - General Administration	576,911	-	108,700	389	(467,822)
Support Services - School Administration	1,085,212	-	204,473	-	(880,739)
Central Services	640,838	-	120,745	-	(520,093)
Operations & Maintenance of Plant	3,070,999	-	578,629	4,440	(2,487,930)
Student Transportation	1,072,630	-	872,073	-	(200,557)
Food Services	1,182,676	77,935	-	-	(1,104,741)
Bond interest paid	841,831	-	-	-	(841,831)
Total governmental activities	\$ 29,435,361	\$ 142,429	\$ 5,834,648	\$ 140,998	\$ (23,317,286)
			General revenues:		
			Taxes:		
			Property Taxes:		
			General purposes	250,986	
			Capital projects	1,416,310	
			Debt service	4,255,199	
			Grants and contributions not restricted	14,875,323	
			Miscellaneous income	79,446	
			Total general revenues	20,877,264	
					(2,440,022)
					4,027,182
					\$ 1,587,160

Change in net position

Net position - beginning

Net position - ending

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

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2019

	General <u>Fund</u>	Title I - 1003g <u>Fund #24124</u>	Bond Building <u>Fund #31100</u>	Debt Service <u>Fund #41000</u>
Assets				
Cash and cash equivalents	\$ 5,389,236	\$ -	\$ 3,415,811	\$ 4,372,757
Receivables:				
Property taxes	20,495	-	-	331,070
Grant	-	953,850	-	-
Due from other funds	1,451,956	-	-	-
Food inventory	-	-	-	-
Total assets	<u>\$ 6,861,687</u>	<u>\$ 953,850</u>	<u>\$ 3,415,811</u>	<u>\$ 4,703,827</u>
Liabilities, deferred inflows, and fund balance				
Liabilities:				
Accounts payable	\$ 700,440	\$ 24,265	\$ 1,735	\$ -
Due to other funds	<u>6,164</u>	<u>929,585</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>706,604</u>	<u>953,850</u>	<u>1,735</u>	<u>-</u>
Deferred inflows of resources:				
Advances of federal, state, and local grants	-	-	-	-
Delinquent property taxes	<u>16,659</u>	<u>-</u>	<u>-</u>	<u>269,123</u>
Total deferred inflows of resources	<u>16,659</u>	<u>-</u>	<u>-</u>	<u>269,123</u>
Fund balance:				
Non-spendable:				
Inventories	-	-	-	-
Restricted for:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	3,414,076	-
Debt service	-	-	-	4,434,704
Committed to:				
Subsequent year's expenditures	4,520,223	-	-	-
Unassigned	<u>1,618,201</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>6,138,424</u>	<u>-</u>	<u>3,414,076</u>	<u>4,434,704</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 6,861,687</u>	<u>\$ 953,850</u>	<u>\$ 3,415,811</u>	<u>\$ 4,703,827</u>

(cont'd; 1 of 2)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2019

	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets		
Cash and cash equivalents	\$ 2,059,664	\$ 15,237,468
Receivables:		
Property taxes	112,247	463,812
Grant	748,185	1,702,035
Due from other funds	47,084	1,499,040
Food inventory	<u>11,633</u>	<u>11,633</u>
Total assets	<u>\$ 2,978,813</u>	<u>\$ 18,913,988</u>
Liabilities, deferred inflows, and fund balance		
Liabilities:		
Accounts payable	\$ 76,131	\$ 802,571
Due to other funds	<u>563,291</u>	<u>1,499,040</u>
Total liabilities	<u>639,422</u>	<u>2,301,611</u>
Deferred inflows of resources:		
Advances of federal, state, and local grants	32	32
Delinquent property taxes	<u>91,594</u>	<u>377,376</u>
Total deferred inflows of resources	<u>91,626</u>	<u>377,408</u>
Fund balance:		
Non-spendable:		
Inventories	11,633	11,633
Restricted for:		
Special revenue funds	1,022,751	1,022,751
Capital projects funds	1,212,037	4,626,113
Debt service	1,344	4,436,048
Committed to:		
(Blank)	-	4,520,223
Unassigned	<u>-</u>	<u>1,618,201</u>
Total fund balance	<u>2,247,765</u>	<u>16,234,969</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,978,813</u>	<u>\$ 18,913,988</u>

(2 of 2)

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

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
June 30, 2019

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

Fund balances - total governmental funds	\$ 16,234,969
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	98,312,385
Accumulated depreciation	(31,671,708)
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property taxes receivable	377,376
Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include:	
Contributions to pension subsequent to the measurement date	1,392,111
Difference between expected and actual pension experience	30,209
Net difference between projected and actual investment earnings on pension plan investments	91,630
Net change in pension assumptions	8,530,560
Net change in proportionate share of pension liability	1,017,362
Contributions to OPEB subsequent to the measurement date	200,306
Net change in proportionate share of OPEB liability	627,522
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	
Bonds payable	(36,915,000)
Accrued interest payable	(401,975)
Accrued vacation payable	(111,077)
Bond premiums	(1,145,893)
Net pension liability	(41,391,345)
Net OPEB liability	(9,906,422)
Deferred inflow of resources are not financial resources, and therefore are not reported in the funds and include:	
Difference between expected and actual pension experience	(787,744)
Net change in proportionate share of pension liability	(336,469)
Difference between expected and actual OPEB experience	(586,524)
Net difference between projected and actual investment earnings on OPEB plan investments	(123,628)
Net change in OPEB assumptions	<u>(1,849,485)</u>
Net position of governmental activities	<u>\$ 1,587,160</u>

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2019

	General <u>Fund</u>	Title I - 1003g <u>Fund #24124</u>	Bond Building <u>Fund #31100</u>	Debt Service <u>Fund #41000</u>
Revenues:				
Taxes:				
Property	\$ 251,103	\$ -	\$ -	\$ 4,254,725
Intergovernmental - federal grants	542,396	1,218,694	-	-
Intergovernmental - state grants	15,811,467	-	-	-
Contributions - private grants	5,000	-	-	-
Charges for services	16,035	-	-	-
Investment and interest income	40,985	-	31,692	14,470
Miscellaneous	<u>79,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>16,746,307</u>	<u>1,218,694</u>	<u>31,692</u>	<u>4,269,195</u>
Expenditures:				
Current:				
Instruction	8,770,633	654,689	-	-
Support services:				
Students	1,364,857	115,986	-	-
Instruction	466,898	322,077	-	-
General Administration	384,584	45,222	-	42,567
School Administration	950,563	12,470	-	-
Central Services	588,750	-	-	-
Operation & Maintenance of Plant	2,555,695	-	55,304	-
Student transportation	872,073	68,250	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	3,576,098	-
Debt service:				
Principal retirement	-	-	-	2,900,000
Bond interest paid	-	-	-	942,061
Bond issuance costs	-	-	102,701	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,669</u>
Total expenditures	<u>15,954,053</u>	<u>1,218,694</u>	<u>3,734,103</u>	<u>3,886,297</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>792,254</u>	<u>-</u>	<u>(3,702,411)</u>	<u>382,898</u>
Other financing sources:				
Sale of bonds	-	-	2,700,000	-
Bond premium	<u>-</u>	<u>-</u>	<u>142,894</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>2,842,894</u>	<u>-</u>
<i>Net change in fund balance</i>	792,254	-	(859,517)	382,898
Fund balance at beginning of the year	<u>5,346,170</u>	<u>-</u>	<u>4,273,593</u>	<u>4,051,806</u>
Fund balance at end of the year	<u>\$ 6,138,424</u>	<u>\$ -</u>	<u>\$ 3,414,076</u>	<u>\$ 4,434,704</u>

(cont'd; 1 of 2)

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

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

GOVERNMENTAL FUNDS

Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2019

	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:		
Taxes:		
Property	\$ 1,416,104	\$ 5,921,932
Intergovernmental - federal grants	2,681,143	4,442,233
Intergovernmental - state grants	498,105	16,309,572
Contributions - private grants	250	5,250
Charges for services	126,394	142,429
Investment and interest income	6,767	93,914
Miscellaneous	<u>125</u>	<u>79,446</u>
Total revenues	<u>4,728,888</u>	<u>26,994,776</u>
Expenditures:		
Current:		
Instruction	985,518	10,410,840
Support services:		
Students	676,127	2,156,970
Instruction	40,802	829,777
General Administration	57,746	530,119
School Administration	34,160	997,193
Central Services	111	588,861
Operation & Maintenance of Plant	106,548	2,717,547
Student transportation	45,308	985,631
Food services operations	1,086,752	1,086,752
Capital outlay	1,318,168	4,894,266
Debt service:		
Principal retirement	-	2,900,000
Bond interest paid	-	942,061
Bond issuance costs	-	102,701
Other	<u>-</u>	<u>1,669</u>
Total expenditures	<u>4,351,240</u>	<u>29,144,387</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>377,648</u>	<u>(2,149,611)</u>
Other financing sources:		
Sale of bonds	-	2,700,000
Bond premium	<u>-</u>	<u>142,894</u>
Total other financing sources	<u>-</u>	<u>2,842,894</u>
<i>Net change in fund balance</i>	377,648	693,283
Fund balance at beginning of the year	<u>1,870,117</u>	<u>15,541,686</u>
Fund balance at end of the year	<u>\$ 2,247,765</u>	<u>\$ 16,234,969</u>

(2 of 2)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

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

Net change in fund balance - total governmental funds	\$ 693,283
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year</p>	
Capital outlay	4,894,266
Depreciation	(2,319,159)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Deferred property taxes at:	
June 30, 2018	(376,813)
June 30, 2019	377,376
<p>The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:</p>	
Current year principal payments	2,900,000
Bonds sold	(2,700,000)
Current year bond premiums	(142,894)
Bond premium amortization	119,013
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Compensated absences at:	
June 30, 2018	102,540
June 30, 2019	(111,077)
Accrued interest at:	
June 30, 2018	383,192
June 30, 2019	(401,975)
Loss on asset disposal	(255,253)
Deferred contributions to pension plan	1,392,111
Deferred contributions to OPEB plan	200,306
Pension expense	(7,075,145)
OPEB expense	<u>(119,793)</u>
Change in net position of governmental activities	<u>\$ (2,440,022)</u>

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

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
Revenues:				
Taxes:				
Property	\$ 238,585	\$ 238,585	\$ 251,256	\$ 12,671
Intergovernmental - federal grants	330,354	330,354	542,396	212,042
Intergovernmental - state grants	15,549,278	15,823,380	15,811,467	(11,913)
Contributions - private grants	1,000	1,000	5,000	4,000
Charges for services	8,000	8,000	16,035	8,035
Investment and interest income	25,000	25,000	40,985	15,985
Miscellaneous	-	-	79,321	79,321
Total revenues	16,152,217	16,426,319	16,746,460	320,141
Expenditures:				
Current:				
Instruction	10,118,990	10,432,840	8,782,643	1,650,197
Support services:				
Students	1,631,250	1,631,250	1,365,025	266,225
Instruction	732,735	732,735	466,898	265,837
General Administration	501,519	501,519	375,008	126,511
School Administration	1,237,518	1,237,518	950,563	286,955
Central Services	912,127	912,127	588,603	323,524
Operation & Maintenance of Plant	3,050,681	3,130,681	2,561,308	569,373
Student transportation	872,073	872,073	872,073	-
Other Support services	1,001,686	1,001,686	-	1,001,686
Capital outlay	267,195	187,195	-	187,195
Total expenditures	20,325,774	20,639,624	15,962,121	4,677,503
<i>Excess (deficiency) of revenues over expenditures</i>	(4,173,557)	(4,213,305)	784,339	4,997,644
<i>Beginning cash balance budgeted</i>	4,173,557	4,213,305	-	(4,213,305)
Fund balance at beginning of the year	-	-	5,346,170	5,346,170
Fund balance at end of the year	\$ -	\$ -	6,130,509	\$ 6,130,509
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(270)	
Change in payables			8,069	
Change in deferred property taxes			116	
Fund balance at end of the year (GAAP basis)			\$ 6,138,424	

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

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

TITLE I - 1003G FUND - NO. 24124
**Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Intergovernmental - federal grants	\$ 1,875,000	\$ 1,965,327	\$ 485,063	\$ (1,480,264)
Expenditures:				
Current:				
Instruction	1,045,086	1,135,413	654,689	480,724
Support services:				
Students	165,823	165,823	115,986	49,837
Instruction	385,729	385,729	322,077	63,652
General Administration	75,674	75,674	45,222	30,452
School Administration	82,388	82,388	12,470	69,918
Student transportation	105,300	105,300	68,250	37,050
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total expenditures	<u>1,875,000</u>	<u>1,965,327</u>	<u>1,218,694</u>	<u>746,633</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(733,631)	(733,631)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(733,631)	<u>\$ (733,631)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>733,631</u>	
Fund balance at end of the year (GAAP basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

AGENCY FUNDS
Statement of Fiduciary Assets and Liabilities
June 30, 2019

ASSETS

Pooled cash and investments	\$ <u>237,413</u>
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LIABILITIES

Deposits held for others	\$ <u>237,413</u>
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I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District's financial statements include all entities over which the Board of Education exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the District (primary government) and its component units. The District has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

1. Blended Component Units

The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

The District does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Ruidoso Municipal School District No. 3' management who is responsible for their integrity and objectivity. The financial statements of the District conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Implementation of New Accounting Principles

During fiscal year 2019, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

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

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

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

➤ **GASB Statement No. 88**, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FYE June 30, 2019). Earlier application is encouraged.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

➤ **GASB Statement No. 84, *Fiduciary Activities***

This Statement supersedes NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, footnote 24; Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, paragraph 4; Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, paragraphs 70–73, 110, and 111; Implementation Guide No. 2015-1, Questions 4.14.1, 4.14.2, 6.43.2, 7.7.2, and 7.52.4; and Implementation Guide No. 2016-1, Implementation Guidance Update—2016, Question 4.26. It also amends NCGA Statement 1, paragraphs 32, 139, 143, and 147; NCGA Statement 5, Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments, paragraphs 5 and 6; Statement No. 6, Accounting and Financial Reporting for Special Assessments, paragraph 19; Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, footnote 12; Statement No. 14, The Financial Reporting Entity, paragraphs 19 and 27; Statement No. 24, Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, paragraph 5; Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, paragraphs 18 and 22; Statement 34, paragraphs 6, 12, 13, 63, 65, 67, 69, 106–109, 115, 123, 125, 135, 138, 141, and 147, and footnotes 48, 49, and 51; Statement No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus, paragraph 3; Statement No. 38, Certain Financial Statement Note Disclosures, paragraphs 6, 14, and 15; Statement No. 40, Deposit and Investment Risk Disclosures, paragraph 5; Statement No. 44, Economic Condition Reporting: The Statistical Section, paragraph 10; Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, paragraphs 30, 33, and 35; Statement No. 61, The Financial Reporting Entity: Omnibus, paragraph 9; Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 34; Statement No. 67, Financial Reporting for Pension Plans, paragraph 11; Statement No. 72, Fair Value Measurement and Application, paragraph 80; Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, paragraph 116; Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, paragraphs 18 and 59; NCGA Interpretation 6, Notes to the Financial Statements Disclosure, paragraph 5; Technical Bulletin No. 2006-1, Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D, paragraph 8; Implementation Guide 2015-1, Questions 1.4.2, 1.4.8, 2.7.1, 2.7.2, 3.49.1, 3.55.2, 3.58.1, 4.6.2, 4.27.1, 4.28.1, 4.28.11, 4.30.3, 4.62.2, 5.64.3, 5.64.4, 5.113.1, 6.29.3, 6.34.3, 6.34.4, 6.43.5, 6.45.1, 6.45.3, 7.3.5, 7.4.1, 7.51.6, 7.52.2, 7.52.3, 7.52.5–7.52.8, 7.55.5, 7.72.10, 7.77.4, 7.81.1, 7.81.2, 7.84.1, 7.97.1, 7.97.2, 7.97.4, 8.1.2, 8.1.3, and 8.15.4; Implementation Guide 2016-1, Questions 4.2, 4.13, 4.27, 4.61–4.63, 5.7, 5.8, 5.16, and 5.24; and 2002 AICPA State and Local Government Auditing and Accounting Guide, paragraph 5.28.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government’s fiduciary funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In the first period that this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect. Also, the reason for not restating prior periods presented should be disclosed.

➤ **GASB Statement No. 87, *Leases***

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Definition of a Lease - A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021).

➤ **GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period***

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this Statement apply to the financial statements of all state and local governments. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. In financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FYE June 30, 2021). Earlier application is encouraged.

➤ **GASB Statement No. 90, *Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61***

The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units.

This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this Statement apply to the financial statements of all state and local governments.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FYE June 30, 2020). Earlier application is encouraged.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

B. Implementation of New Accounting Principles (cont'd)

➤ **GASB Statement No. 91, *Conduit Debt Obligations***

This Statement provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FYE June 30, 2022). Earlier application is encouraged.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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. Revenues received during the year but are applicable to subsequent years are reported as deferred inflows of resources. 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. Expenditures incurred during the year that are for the benefit of subsequent years are reported as deferred outflows of resources.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

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

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.

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

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

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

Debt Service Funds are used to account for the payment of principal and interest on long-term debt. Debt service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* requires the District to present certain governmental funds as major funds. In addition to the General Fund, the District reports the following major governmental funds:

➤ SPECIAL REVENUE FUNDS

Title I 1003g Grant (Fund No. 24124) Minimum Balance: None
The objective of this grant is to provide in conjunction with Title I funds for school improvement reserved under section 1003(a) of the ESEA. School Improvement Grants under section 1003(g) of the ESEA are used to improve student achievement in Title I schools identified for improvement, corrective action, or restructuring so as to enable those schools to make adequate yearly progress (AYP) and exit improvement status. Funding is by the Elementary and Secondary Education Act of 1965, as amended, Title I, Part B, Subpart 1.

➤ CAPITAL PROJECTS FUNDS

Bond Building (Fund No. 31100) Minimum Balance: None
This fund provides financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the sale of general obligation bonds, which have been approved by the voters of the district.

➤ DEBT SERVICE FUNDS

Debt Service Fund (Fund No. 41000) Minimum Balance: None
The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the government reports the following fund type:

Fiduciary Funds are agency funds used to account for financial resources used by the student activity groups for which the District has stewardship.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity

1. *Deposits and investments*

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

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

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

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

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.

2. *Receivables and payables*

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

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

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10th following the levy and become delinquent after 30 days. Therefore, the District has recorded a delinquent tax receivable and revenue for taxes received within the sixty days following year-end. A receivable and deferred revenue have been recorded for uncollected delinquent taxes. On the government-wide financial statements, the district has recorded delinquent property taxes receivable and revenue for taxes assessed as of year-end that have not been collected, as prescribed in GASB 34. An allowance for refunds and uncollectible amounts has not been recorded.

3. *Inventories*

USDA Commodities are recorded at estimated costs and other inventories are recorded at cost, which approximates market. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

4. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

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. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District does not develop software for internal use or any other use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

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

ESTIMATED USEFUL LIVES	
ASSETS	YEARS
Buildings	40-50
Building improvements	20
Land Improvements	10-20
Vehicles	5-7
Office equipment	5
Computer equipment	3-5

5. *Compensated absences*

It is the District's policy to permit employees to accumulate 20 days of earned but unused vacation, which will be paid to employees upon retirement from the District's service. The amount for liability has been reported in the government-wide financial statements.

Accumulated sick leave is not payable upon termination and is recorded as expenditures when it is paid.

6. *Long-term obligations*

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

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

7. *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 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. Investments are reported at fair value.

8. *Other Post Employment Benefits*

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 Retiree Health Care Authority (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

9. *Deferred Outflows/Inflows of Resources*

Both deferred inflows and outflows are reported in the Statement of Net Position, but are not recognized in the financial statements as revenues, expenses, and reduction of liabilities or increase in assets until the period(s) to which they relate.

In addition to assets, the District reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position/fund balance that applies to future periods and will not be recognized as an expenditure until that time.

The District also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to future periods and so will not be recognized as a revenue until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The District reports deferred outflows of resources for pension-related amounts for the District's share of the difference between projected and actual earnings, for the District's share of the difference between contributions to the individual plans and the proportionate share of the contributions, and for changes of assumptions or other inputs.

The District reports deferred inflows of resources for pension-related amounts in the government wide financial statements or the District's share of the difference between expected and actual experience and for the District's share of the difference between contributions to the individual plans and the proportionate share of the contributions.

Under the modified accrual basis of accounting, revenue and other fund financial resources are recognized in the period in which they become both measurable and available. Assets recorded in the fund financial statements for which the revenues are not available are reported as a deferred inflow of resources. Deferred inflows of resources are also comprised of property tax and long-term receivables that are unavailable in the fund statements.

10. *Fund balance*

a. Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

b. Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Education should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District had committed fund balance in the amount of \$4,520,223 for expenditures in the subsequent year.

d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2019.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

e. Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification 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. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed first followed by assigned and unassigned resources as they are needed.

11. *Net Position*

Net Position is presented on the Statement of Net Position and may be presented in any of three components.

a. Net investment in capital assets

This component of Net Position 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. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

b. Restricted Net Position

Net Position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

c. Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of "net investment in capital assets" or "restricted."

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.

In the governmental environment, Net Position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted Net Position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

12. *Indirect Costs*

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

13. *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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

E. Assets, Liabilities, and Net Position or Equity (cont'd)

14. *Inter-fund Transactions*

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

15. *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, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$14,870,073 in state equalization guarantee distributions during the year ended June 30, 2019.

Transportation Distribution: School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$872,073 in transportation distributions during the year ended June 30, 2019.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of material listed on the PED 'Multiple List', while fifty percent of each allocation is available for purchases directly from vendors or transfer to the fifty percent account for purchase of material from the "Multiple List". Districts are allowed to carry forward unused textbook funds from year to year. The District received \$67,040 in instructional materials distributions during the year ended June 30, 2019.

16. *Tax Abatements*

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements effecting the District. Accordingly, the District did not have any tax abatements effecting the District during the year ended June 30, 2019.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

The school district follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
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 for.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service 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. The appropriated budget for the year ended June 30, 2019 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	ORIGINAL	FINAL
Major Funds:		
General Funds	\$ 20,325,774	\$ 20,639,624
Special Revenue Funds:		
Title I - 1003g	1,875,000	1,965,327
Capital Projects Funds:		
Bond Building	5,508,840	8,271,383
Debt Service Funds:		
Debt Service	6,281,533	6,281,533
Nonmajor Funds:		
Special Revenue Funds	3,285,200	4,715,137
Capital Projects Funds	2,409,670	2,456,754
Debt Service Fund	1,200	1,200
Total Budget	\$ 39,687,217	\$ 44,330,958

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

B. Budgetary Violations

The District did not have any budgetary violations during the year ended June 30, 2019.

C. Deficit Fund Equity

The District had one deficit fund balance of \$6,164 in the Instructional Materials Fund as of June 30, 2019. These deficits will be funded by future grants or by the Operational Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2019, the carrying amount of the District's deposits was \$15,474,881 and the bank balance was \$16,702,422 with the difference consisting of outstanding checks.

	BALANCE
Financial institution (FDIC):	
BBVA Compass	\$ 16,702,422
Less:	
Agency cash	(237,413)
Net reconciling items	(1,227,541)
Total cash and equivalents	\$ 15,237,468

Of the total cash and cash equivalents balance, \$250,000 was covered by federal depository insurance and \$18,500,000 was covered by collateral held in joint safekeeping by a third party.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2019, none of the District's bank deposits was exposed to custodial risk as follows:

	INSURED	UNDER INSURED	TOTAL
Bank deposits:			
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust dept not in the District's name	16,452,422	-	16,452,422
Total uninsured	16,452,422	-	16,452,422
Insured (FDIC)	250,000	-	250,000
Total deposits	\$ 16,702,422	\$ -	\$ 16,702,422
State of New Mexico collateral requirement:			
50% of uninsured public fund bank deposits	\$ 8,226,211	\$ -	\$ 8,226,211
Pledged security	18,500,000	-	18,500,000
Over collateralization	\$ 10,273,789	\$ -	\$ 10,273,789

III. DETAILED NOTES ON ALL FUNDS (cont'd)

A. Cash and Temporary Investments (cont'd)

The collateral pledged is listed on Schedule of Pledged Collateral in the Other Supplemental Information section of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

B. Receivables

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

	<u>RECEIVABLES</u>		<u>DUE FROM OTHER</u>	
	Property Taxes	Grants	Governments	Funds
Major Funds:				
General Fund	\$ 20,495	\$ -	\$ -	\$ 1,451,956
Title I - 1003g	-	953,850	-	-
Bond Building	-	-	-	-
Debt Service	331,070	-	-	-
Other Governmental Funds	<u>112,247</u>	<u>748,185</u>	-	<u>47,084</u>
Total	<u>\$ 463,812</u>	<u>\$ 1,702,035</u>	<u>\$ -</u>	<u>\$ 1,499,040</u>

An allowance for doubtful accounts has not been established. All receivables are expected to be collectible.

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

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Grant drawdowns prior to meeting all eligibility requirements		
Other Governmental Funds	\$ -	\$ 32
Delinquent property taxes		
General Fund	16,659	-
Debt Service	269,123	-
Other Governmental Funds	<u>91,594</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 377,376</u>	<u>\$ 32</u>

III. DETAILED NOTES ON ALL FUNDS (cont'd)

C. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2019 were:

	RECEIVABLES	PAYABLES
Major Funds:		
General Funds	\$ 1,451,956	\$ 6,164
Title I - 1003g	-	929,585
Other Governmental Funds		
Title I	-	135,526
Entitlement IDEA-B	-	127,365
Preschool IDEA-B	-	8,726
Striving Readers	-	122,227
Title III English Language	-	10,094
Title II Teacher Quality	-	33,075
Rural & Low-Income Schools	-	21,605
Dual Credit Instructional Materials	-	1,823
Libraries GO Bond 2012	-	1,843
Pre-K Initiative	-	53,923
State SB-9 Match	-	47,084
Capital Improvements SB-9	47,084	-
Total	<u>\$ 1,499,040</u>	<u>\$ 1,499,040</u>

The inter-fund loans were made for the purposes of cash shortfalls within the individual funds. The loans are expected to be repaid within the next fiscal year.

III. DETAILED NOTES ON ALL FUNDS (cont'd)

D. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	BEGINNING	INCREASES	DECREASES	ENDING
Governmental activities:				
<u>Capital assets not being depreciated:</u>				
Land	\$ 693,424	\$ 210,000	\$ -	\$ 903,424
Water rights	300,000	-	-	300,000
Construction in progress	1,344,748	992,276	(1,344,748)	992,276
Total capital assets not being depreciated	<u>2,338,172</u>	<u>1,202,276</u>	<u>(1,344,748)</u>	<u>2,195,700</u>
<u>Capital assets being depreciated:</u>				
Land improvements	10,495,243	984,379	-	11,479,622
Buildings and improvements	79,509,243	3,894,864	(1,570,295)	81,833,812
Furniture, fixtures, and equipment	2,645,792	157,459	-	2,803,251
Total capital assets being depreciated	<u>92,650,278</u>	<u>5,036,702</u>	<u>(1,570,295)</u>	<u>96,116,685</u>
Less accumulated depreciation for:				
Land improvements	(4,552,867)	(450,719)	-	(5,003,586)
Buildings and improvements	(24,320,030)	(1,718,280)	1,315,113	(24,723,197)
Furniture, fixtures, and equipment	(1,794,730)	(150,195)	-	(1,944,925)
Total accumulated depreciation	<u>(30,667,627)</u>	<u>(2,319,194)</u>	<u>1,315,113</u>	<u>(31,671,708)</u>
Total capital assets being depreciated, net	<u>61,982,651</u>	<u>2,717,508</u>	<u>(255,182)</u>	<u>64,444,977</u>
Total capital assets, net	<u>\$ 64,320,823</u>	<u>\$ 3,919,784</u>	<u>\$ (1,599,930)</u>	<u>\$ 66,640,677</u>

Depreciation has been allocated to the functions by the following amounts:

	ORIGINAL
Instruction	\$ 1,427,352
Support Services - Students	192,257
Support Services - Instruction	74,721
Support Services - General Administration	47,251
Support Services - School Administration	88,883
Central Services	52,487
Operations & Maintenance of Plant	251,526
Student Transportation	87,852
Food Services	96,865
Total Depreciation Expense	<u>\$ 2,319,194</u>

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

Construction commitments

The District is involved in long-term construction projects as part of their master plan for upgrading the district buildings. The amount in the capital projects funds designated for subsequent years expenditures are committed for funding these projects. Interest on construction projects is not capitalized.

III. DETAILED NOTES ON ALL FUNDS (cont'd)

E. Long-Term Debt

General Obligation Bonds – The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the District’s boundaries. The details of the bonds and notes as of June 30, 2019 are as follows:

BOND ISSUES	BOND MATURITY	ORIGINAL AMOUNT	INTEREST RATES	BALANCE	CURRENT PORTION
Series 10/18/11	08/01/25	\$ 9,000,000	2.00% to 2.88%	\$ 7,500,000	\$ 400,000
Series 02/12/13	08/01/25	5,000,000	2.00% to 3.00%	2,950,000	200,000
Series 05/20/14	08/01/22	9,980,000	1.50% to 3.00%	5,105,000	1,500,000
Series 10/13/15	08/01/22	6,325,000	1.25% to 2.00%	4,270,000	900,000
Series 10/19/16	08/01/31	9,500,000	2.00% to 2.50%	8,940,000	25,000
Series 02/15/17	08/01/32	5,600,000	3.00% to 4.00%	5,450,000	100,000
Series 08/23/18	08/01/31	2,700,000	3.00% to 5.00%	2,700,000	425,000
Total		<u>\$ 48,105,000</u>		<u>\$ 36,915,000</u>	<u>\$ 3,550,000</u>

Balances shown for bonds and notes do not include unamortized premiums or deferred amounts on refinancing.

	BALANCE
Bonds payable	\$ 36,915,000
Less: current maturities	(3,550,000)
Unamortized:	
Bond premiums	1,145,893
Total non-current liabilities	<u>\$ 34,510,893</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

YEAR ENDING	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
JUNE 30,			
2020	\$ 3,550,000	\$ 933,688	\$ 4,483,688
2021	3,240,000	862,744	4,102,744
2022	3,285,000	791,413	4,076,413
2023	3,250,000	714,875	3,964,875
2024	3,125,000	636,350	3,761,350
2025 - 2029	13,175,000	1,969,738	15,144,738
2029 - 2033	7,290,000	387,513	7,677,513
Total	<u>\$ 36,915,000</u>	<u>\$ 6,296,319</u>	<u>\$ 43,211,319</u>

III. DETAILED NOTES ON ALL FUNDS (cont'd)

F. Long-Term Debt (cont'd)

Changes in long term debt – During the year ended June 30, 2019 the following changes occurred in liabilities reported in the general obligation bonds account group:

		BEGINNING			ENDING	DUE WITHIN	
		BALANCE	ADDITIONS	RETIREMENTS	BALANCE	ONE YEAR	
Compensated absences:							
Compensated vacation		\$ 102,540	\$ 75,656	\$ 67,119	\$ 111,077	\$ 111,077	
Bonds payable							
	<u>Original Amount</u>	<u>Issue</u>					
\$	9,000,000	10/18/11	7,800,000	-	300,000	7,500,000	400,000
	5,000,000	02/12/13	3,125,000	-	175,000	2,950,000	200,000
	9,980,000	05/20/14	6,605,000	-	1,500,000	5,105,000	1,500,000
	6,325,000	10/13/15	5,020,000	-	750,000	4,270,000	900,000
	9,500,000	10/19/16	8,965,000	-	25,000	8,940,000	25,000
	5,600,000	02/15/17	5,600,000	-	150,000	5,450,000	100,000
	2,700,000	08/23/18	-	2,700,000	-	2,700,000	425,000
Total Bonds payable			37,115,000		2,900,000	36,915,000	3,550,000
			<u>\$ 37,217,540</u>		<u>\$ 2,775,656</u>	<u>\$ 2,967,119</u>	<u>\$ 37,026,077</u>
						<u>\$ 3,661,077</u>	

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds.

New Debt

The District issued Series 2018 General Obligation Bonds in the amount of \$2,700,000 on August 23, 2018. The District will make the first interest payment on February 1, 2019 and will make the first principal payment on August 1, 2019. The bond series will mature on August 1, 2031 with interest rates of 3.00% to 5.00%. The District was at 90.3% bonding capacity after the issuance of GO Series 2018.

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2019.

B. Employee Retirement 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, Sections 1 through 52, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the New Mexico Educational Employees' Retirement Plan (Plan), which is a cost-sharing multiple-employer defined benefit retirement plan. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained www.nmerb.org, www.saonm.org, or by writing to:

ERB
P.O. Box 26129
Santa Fe, New Mexico 87502-6129
www.nmerb.org

Membership in the Plan is a condition of employment. Employees of public schools, universities, regional cooperatives, special schools and state agencies providing educational programs, who are employed at more than 25% of a full-time equivalency, are required to be members of the Plan. There were 156,789 active, retired, and inactive members in fiscal year 2018; there were 153,514 active, retired, and inactive members in fiscal year 2017.

Benefits Provided - 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. Benefits are based on three components: Final Average Salary (FAS), years of both earned and allowed service credits, and a 2.35% factor. The gross annual benefit is determined by multiplying the three components together. FAS is the higher of annual earnings for the previous 20 calendar quarters prior to retirement or the highest average annual earnings for any 20 consecutive calendar quarters.

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

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

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

V. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit commencing on July 1 following the later of: (i) the year a member retires, or (ii) the year in which a member attains age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

If the plan's funded ratio for the next preceding fiscal year is 100%, or greater, Section 22-11-31(C)(1) of the New Mexico Statutes Annotated defines the adjustment factor as $\frac{1}{2}$ of the percentage increase of the consumer price index between the next preceding calendar year and the preceding calendar year. The adjustment factor cannot exceed four percent, nor be less than two percent. However, if the percentage increase of the consumer price index is less than two percent, the adjustment factor will be equal to the percentage increase of the consumer price index.

If the plan's funded ratio for the next preceding fiscal year is greater than 90%, but less than 100%, Section 22-11-31(C)(2) indicates that the adjustment factor for all non-disability retirements will be 95% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 90% of the adjustment factor defined in Section 22-11-31(C)(1).

If the plan's funded ratio for the next preceding fiscal year is 90%, or less, Section 22-11-31(C)(3) indicates that the adjustment factor for all non-disability retirements will be 90% of the adjustment factor defined in Section 22-11-31(C)(1) if the member had 25 or more years of service credit at retirement and whose annuity is less than or equal to the median adjusted annuity for the fiscal year next preceding the adjustment date. For all other retirees eligible for an adjustment, the adjustment factor will be 80% of the adjustment factor defined in Section 22-11-31(C)(1).

Finally, annuities shall not be decreased in the event that there is a decrease in the consumer price index between the next preceding calendar year and the preceding calendar year.

As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

The member, upon retirement, has three options as to how to receive the benefit.

Option A – If the member elects the Option A, there is no reduction to the monthly benefit other than any “Rule of 75” deductions or any community property or child support reductions. There will be no continuing benefit to a beneficiary or estate upon the retiree's death, except the balance, if any, of member contributions. Those contributions are usually exhausted in the first three to four years of retirement.

Option B – If the member elects Option B, the monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member and upon the retiree's death, the same benefit is paid to the beneficiary for his or her lifetime. The named beneficiary may not be changed after the effective date of retirement since the amount of the option is calculated by using both the age of the member and the beneficiary. If the beneficiary predeceases the member, the member's benefit will be adjusted by returning it to the Option A Benefit amount. The IRS prohibits selection of Option B for a non-spouse beneficiary more than ten years younger than the member.

V. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Option C – If the member elects Option C, the monthly benefit is reduced to provide for a 50% survivor’s benefit. The benefit is payable during the life of the member and upon the retiree’s death, one half of the member’s benefit is paid to the beneficiary for his or her lifetime. Here again, the named beneficiary may not be changed after the effective date of retirement. If the beneficiary predeceases the member, the member’s benefit is adjusted by returning it to the Option A Benefit amount.

Under the provisions of Options B and C coverage, the beneficiary must be a person, and only one beneficiary may be named. The term beneficiary means a person having an insurable interest in the life of the member.

Member Contributions – Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary in fiscal year 2019.

Employer Contributions – In fiscal year 2018, the District was required to contribute 13.9% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 13.9% of the gross covered salary for employees whose annual salary is more than \$20,000. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District’s contributions to ERB for the fiscal year ending June 30, 2018 was \$1,352,272, which equal the amount of the required contributions for year ended June 30, 2018.

Employers

The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 216 contributing employers in fiscal year 2018; there were 218 contributing employers in fiscal year 2017.

Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to Pensions

At June 30, 2019, the District reported a liability of \$41,391,345 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 school districts and regional education cooperatives, actuarially determined. At June 30, 2018, the District's proportion was 0.34808 percent, which was an increase of 0.01733 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$7,075,145.

PENSION EXPENSE CALCULATION	
Net pension liability - end of the year	\$ 41,391,345
Net pension liability - beginning of the year	(36,757,796)
Deferred outflows of resources during the year	1,168,636
Deferred inflows of resources during the year	(79,312)
Reductions to ending net pension liability due contributions paid	<u>1,352,272</u>
Total Pension Expense	<u>\$ 7,075,145</u>

V. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OUTFLOWS	INFLOWS
Difference between expected and actual experience	\$ 30,209	\$ 787,744
Change of assumptions	8,530,560	-
Net difference between projected and actual earnings on pension plan investments	91,630	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,017,362	336,469
District contributions subsequent to the measurement date	<u>1,392,111</u>	<u>-</u>
Total	<u>\$ 11,061,872</u>	<u>\$ 1,124,213</u>

Deferred outflows of resources related to pensions in the amount of \$1,392,111 resulted from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

JUNE 30,	AMORTIZATION
2020	\$ (5,031,397)
2021	(3,351,265)
2022	(161,680)
2023	(1,206)
2024	-
Thereafter	-
Total	<u>\$ (8,545,548)</u>

Actuarial Assumptions

A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on an expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.62 percent. Based on the assumptions described below and the projection of cash flows, pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. The long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled forward from the valuation date to the Plan's year ended June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. The liabilities reflect the impact of the new assumptions adopted by the Board of Trustees on April 21, 2017 as well as the change in the single discount rate between June 30, 2017 and June 30, 2018. Specifically, the liabilities measured as of June 30, 2018 incorporate the following assumptions:

- 1) All members with an annual salary of more than \$20,000 will contribute 10.7% during the fiscal year ending June 30, 2015 and thereafter.
- 2) Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their Cost of Living Adjustment (COLA) will be deferred until age 67.
- 3) COLAs for most retirees are reduced until ERB attains a 100% funded status.
- 4) The new assumptions adopted by the Board on April 21, 2017 in conjunction with the change in the single discount rate, and
- 5) For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

V. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

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

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level Percentage of Payroll
Remaining Period:	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method:	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation:	3.00%
Salary Increases:	Composition: 2.50% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return:	7.25%
Single Discount Rate:	5.69%
Retirement Age:	Experience based table of age and service rates
Mortality:	Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB. Healthy Females – 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.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2018 and 2017 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	2018 Long-Term Expected <u>Real Rate of Return</u>	2017 Long-Term Expected <u>Real Rate of Return</u>
Cash	-0.49%	-0.25%
U.S. Treasuries	-0.01%	0.25%
IG Corp Credit	1.44%	1.75%
Mortgage Backed Securities	-0.01%	0.25%
Core Bonds*	0.47%	0.75%
Treasury Inflation Protected Securities	0.48%	0.50%
High-Yield Bonds	2.13%	2.50%
Bank Loans	2.16%	2.75%
Global Bonds (Unhedged)	-0.75%	-0.50%
Global Bonds (Hedged)	-0.47%	-0.38%
Emerging Market Debt External	1.64%	2.50%
Emerging Market Debt Local Currency	3.10%	3.25%
Large Cap Equities	4.03%	4.25%
Small/ Mid Cap Equities	4.24%	4.50%
International Equities (Unhedged)	4.24%	4.50%
International Equities (Hedged)	4.65%	4.89%
Emerging International Equities	5.61%	6.25%
Private Equity	5.92%	6.25%
Private Debt	4.07%	4.75%
Private Real Assets	4.24%	5.90%
Real Estate	3.10%	3.25%
Commodities	2.08%	2.25%
Hedge Funds	2.97%	3.22%

V. OTHER INFORMATION (cont'd)

B. Employee Retirement Plan (cont'd)

Rate of Return

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

- 1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.),
- 2) Application of key economic projections (inflation, real growth, dividends, etc.), and
- 3) Structural themes (supply and demand imbalances, capital flows, etc.).

These items are developed for each major asset class.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate Assumption

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of fiscal year end 2018, 2017, and 2016. In particular, the table presents the Plan's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower or one percentage point higher than the single discount rate.

PENSION CURRENT SINGLE RATE					
	Discount Rate		Single Rate Assumption		
		1% Decrease	Assumption	1% Increase	
ERB (All Employers)					
2018	5.69%	\$ 15,454,175,919	\$ 11,891,330,976	\$ 8,984,271,849	
2017	5.90%	14,466,972,041	11,113,468,217	8,372,251,980	
2016	7.75%	9,531,509,131	7,196,433,561	5,258,980,529	
Ruidoso Municipal School District No. 3					
2018	5.69%	\$ 53,792,896	\$ 41,391,345	\$ 31,272,453	
2017	5.90%	47,849,510	36,757,796	27,691,223	
2016	7.75%	32,591,089	24,606,765	17,982,032	

C. Post-Retirement Health Care Benefits

Plan Description - The District, as an employer, contributes to the New Mexico Retiree Health Care Fund (RHCA), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The plan provides healthcare insurance and prescription drug benefits to retired employees of participating employers, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies. RHCA issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained www.nmrhca.org, www.saonm.org, or by writing to:

Retiree Health Care Authority
 4308 Carlisle NE, Suite 104
 Albuquerque, NM 87107

The plan is used to provide postemployment benefits other than pensions (OPEB) for retirees who were an employee of participating employer in either the New Mexico Public Employees Retirement Association (PERA) or Educational Retirement Board (ERB), eligible to receive a pension. For employers who “buy-in” to the plan, retirees are eligible for benefits six months after the effective date of employer participation. Retirees not in a PERA enhanced (Fire, Police, Corrections) pension plan who commence benefits on or after January 1, 2020 will not receive any subsidy from RHCA before age 55.

IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

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 the 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.

There were 156,025 active, retired, surviving spouses, and inactive members in fiscal year 2018; there were 160,035 active, retired, surviving spouses, and inactive members in fiscal year 2017.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's 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 RHCA or viewed on their website at www.nmrhca.org.

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 fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Benefits Provided - Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available but were not included in any valuation since they are 100% retiree-paid. A description of these benefits may be found in Enrolled Participants at www.nmrhca.org.

Member Contributions - Employees that were not members of an enhanced plan, the statute required each participating employee was required to contribute 1% of their gross salary in fiscal year 2019.

Employer Contributions - In fiscal year 2018, the District was required to contribute 2% of the gross covered salary for employees who are entitled to RHCA benefits. The District's contributions to RHCA for the fiscal year ending June 30, 2018 was \$194,573, which equal the amount of the required contributions for each fiscal year.

Employers - The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 302 contributing employers in fiscal year 2018.

IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Expense Related to OPEB

At June 30, 2019, the District reported a liability of \$9,906,422 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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 a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2018, the District's proportion was 0.22782 percent, which was an increase of 0.01367 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$119,793.

OPEB EXPENSE CALCULATION	
Net OPEB liability - end of the year	\$ 9,906,422
Net OPEB liability - beginning of the year	(9,704,578)
Deferred outflows of resources during the year	(627,522)
Deferred inflows of resources during the year	350,898
Reductions to ending net OPEB liability due contributions paid	194,573
Total OPEB Expense	\$ 119,793

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OUTFLOWS	INFLOWS
Difference between expected and actual experience	\$ -	\$ 586,524
Change of assumptions	-	1,849,485
Net difference between projected and actual earnings on OPEB plan investments	-	123,628
Changes in proportion and differences between District contributions and proportionate share of contributions	627,522	-
District contributions subsequent to the measurement date	200,306	-
Total	\$ 827,828	\$ 2,559,637

Deferred outflows of resources related to OPEB in the amount of \$200,306 resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

JUNE 30,	AMORTIZATION
2020	\$ 517,399
2021	517,399
2022	517,399
2023	369,283
2024	10,635
Thereafter	-
Total	\$ 1,932,115

IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

Actuarial Assumptions

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 OPEB plan'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.

A blended rate of the assumed investment return on Plan assets (e.g. 7.25% for the June 30, 2019 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.58% as of June 30, 2017). The 7.25% discount rate was used to calculate the net OPEB liability through June 30, 2029. Benefit payments after June 30, 2029 are then discounted by the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, currently 4.08%. The blended discount rate of 4.08% was used to measure the total OPEB liability as of June 30, 2018.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 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
Amortization Method:	30-year open-ended amortization, level percent of payroll
Remaining Period:	30 years as of June 30, 2016
Asset Valuation Method:	Market value of assets

Actuarial assumptions

Inflation:	2.50% for ERB; 2.25% for PERA
Projected Salary Increases:	3.5% to 12.50% based on years of service, including inflation
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 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 target allocation and best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	2018	2017
	<u>Long-Term Expected Real Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. core fixed income	2.1	9.1
U.S. equity - large cap	7.1	9.1
Non U.S. - emerging markets	10.2	12.2
Non U.S. - developed equities	7.8	9.8
Private equity	11.8	13.8
Credit and structured finance	5.3	7.3
Real estate	4.9	6.9
Absolute return	4.1	6.1
U.S. equity - small/mid cap	7.1	9.1

IV. OTHER INFORMATION (cont'd)

C. Post-Retirement Health Care Benefits (cont'd)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate Assumption

The following table shows the sensitivity of the net OPEB liability to changes in the discount rate as of June 30, 2018. In particular, the table presents the Plan's net OPEB liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the single discount rate.

OPEB CURRENT SINGLE RATE					
		Discount Rate		Single Rate Assumption	
		1% Decrease		1% Increase	
RHCA (All Employers)					
2018	4.08%	\$	5,262,533,266	\$	4,348,354,815
2017	3.81%		5,496,848,763		4,531,673,018
Ruidoso Municipal School District No. 3					
2018	4.08%	\$	11,989,103	\$	9,906,422
2017	3.81%		11,771,502		9,704,578

The following presents the Net OPEB Liability of RHCA as of June 30, 2018, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the health cost trend rates used:

HEALTH COST TREND RATE						
		1% Decrease		Current Trend Rates	1% Increase	
RHCA (All Employers)						
2018	\$	3,675,884,346	\$	4,348,354,815	\$	4,875,586,778
Ruidoso Municipal School District No. 3						
2018	\$	8,374,400	\$	9,906,422	\$	11,107,562

D. Contingent Liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

E. Cash Flows

The District's federal and state grants operate on a reimbursement basis. The District must support the expenditures of these grants with monies from the unrestricted operating monies. Operating on a reimbursement basis for these grants in its self does not adversely affect the District's ability to operate effectively. However, the time it takes to receive reimbursement, if extensive, does significantly affect the District's cash flows and the ability to deliver educational services to the community in an effective manner. This could affect the District's financial operations in subsequent years.

IV. OTHER INFORMATION (cont'd)

F. Subsequent Events

Subsequent events were evaluated through October 18, 2019 which is the date the financial statements were available to be issued.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.348080%	0.330750%	0.341930%	0.340530%	0.346720%
District's proportionate share of the net pension liability	\$ 41,391,345	\$ 36,757,796	\$ 24,606,765	\$ 22,057,035	\$ 19,782,901
District's covered-employee payroll	\$ 9,724,553	\$ 9,765,650	\$ 9,679,950	\$ 9,556,814	\$ 9,556,957
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	425.64%	376.40%	254.20%	230.80%	207.00%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	61.58%	63.97%	66.54%

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,392,111	\$ 1,351,713	\$ 1,357,425	\$ 1,345,514	\$ 1,256,722
Contributions in relation to the contractually required	<u>(1,392,111)</u>	<u>(1,352,272)</u>	<u>(1,355,048)</u>	<u>(1,345,438)</u>	<u>(1,256,722)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (559)</u>	<u>\$ 2,377</u>	<u>\$ 76</u>	<u>\$ -</u>
District's Covered-employee Payroll	\$ 10,015,368	\$ 9,724,553	\$ 9,765,650	\$ 9,679,950	\$ 9,556,814
Contribution as a percentage of covered-employee payroll	13.90%	13.91%	13.88%	13.90%	13.15%

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

Changes of benefit terms: The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

Changes of assumptions: ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2016. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Assumptions that were not changed:

- a. Wage inflation 3.25%
- b. Payroll growth 3.00%
- c. COLA assumption 1.90% per year
- d. Salary increases at 2.50% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for less than ten years of service
- e. Inflation rate 2.50%
- f. Investment return 7.25%

See also the Note VI (B) *Actuarial Assumptions* of the financial statement note disclosure on the Pension Plan.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
Retiree Health Care Authority (RHCA) OPEB Plan
Last 10 Fiscal Years*

	2019	2018
District's proportion of the net OPEB liability	0.227820%	0.214150%
District's proportionate share of the net OPEB liability	\$ 9,906,422	\$ 9,704,578
District's covered-employee payroll	\$ 9,724,553	\$ 9,421,286
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	101.87%	103.01%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
Retiree Health Care Authority (RHCA) OPEB Plan
Last 10 Fiscal Years*

	2019	2018
Contractually required contribution	\$ 200,306	\$ 194,573
Contributions in relation to the contractually required	<u>(200,306)</u>	<u>(194,573)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-employee Payroll	\$ 10,015,368	\$ 9,727,220
Contribution as a percentage of covered-employee payroll	2.00%	2.00%

* These schedules are intended to present 10 years of trending history. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

Changes of assumptions: RHCA conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2017, RHCA implemented the following changes in assumptions for fiscal years 2018 and 2017.

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2018. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2017 and the ERB actuarial experience study as of June 30, 2017.

- 1) Fiscal year 2018 valuation assumptions that changed based on this study:
 - a. Minor changes to demographic assumptions
- 2) Assumptions that were not changed:
 - a. Investment return 7.25%
 - b. Inflation rate 2.50% for ERB and 2.25 for PERA
 - c. Population growth per year at 0.00%
 - d. Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5%

See also the Note IV (C) *Actuarial Assumptions* of the financial statement note disclosure on the OPEB Plan.

OTHER SUPPLEMENTAL INFORMATION
OF
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019

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GENERAL FUNDS

(OTHER SUPPLEMENTAL INFORMATION)

Operating Fund (Fund No. 11000)

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

Transportation Fund (Fund No. 13000)

Accounts for all the Transportation funds received through the state that are used in the maintaining and operating vehicles used to transport students.

Instructional Materials Fund (Fund No. 14000)

Accounts for all the Instructional Materials funds received through the state for the purpose of acquiring study materials for the students.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

GENERAL FUNDS
Combining Balance Sheet
June 30, 2019

	Operational Fund #11000	Transportation Fund #13000	Instructional Materials Fund #14000	Total General Funds
Assets				
Cash and cash equivalents	\$ 5,389,236	\$ -	\$ -	\$ 5,389,236
Receivables:				
Property taxes	20,495	-	-	20,495
Due from other funds	<u>1,451,956</u>	<u>-</u>	<u>-</u>	<u>1,451,956</u>
Total assets	<u>\$ 6,861,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,861,687</u>
 Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ 700,440	\$ -	\$ -	\$ 700,440
Due to other funds	<u>-</u>	<u>-</u>	<u>6,164</u>	<u>6,164</u>
Total liabilities	<u>700,440</u>	<u>-</u>	<u>6,164</u>	<u>706,604</u>
Deferred inflows of resources:				
Delinquent property taxes	<u>16,659</u>	<u>-</u>	<u>-</u>	<u>16,659</u>
Fund balance:				
Committed to:				
Subsequent year's expenditures	4,520,223	-	-	4,520,223
Unassigned	<u>1,624,365</u>	<u>-</u>	<u>(6,164)</u>	<u>1,618,201</u>
Total fund balance	<u>6,144,588</u>	<u>-</u>	<u>(6,164)</u>	<u>6,138,424</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 6,861,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,861,687</u>

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

GENERAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	General Funds			Total General Fund
	Operational Fund #11000	Transportation Fund #13000	Instructional Materials Fund #14000	
Revenues:				
Taxes:				
Property	\$ 251,103	\$ -	\$ -	\$ 251,103
Intergovernmental - federal grants	542,396	-	-	542,396
Intergovernmental - state grants	14,872,354	872,073	67,040	15,811,467
Contributions - private grants	5,000	-	-	5,000
Charges for services	16,035	-	-	16,035
Investment and interest income	40,985	-	-	40,985
Miscellaneous	79,321	-	-	79,321
Total revenue	15,807,194	872,073	67,040	16,746,307
Expenditures:				
Current:				
Instruction	8,657,681	-	112,952	8,770,633
Support services:				
Students	1,364,857	-	-	1,364,857
Instruction	466,898	-	-	466,898
General Administration	384,584	-	-	384,584
School Administration	950,563	-	-	950,563
Central Services	588,750	-	-	588,750
Operation & Maintenance of Plant	2,555,695	-	-	2,555,695
Student transportation	-	872,073	-	872,073
Total expenditures	14,969,028	872,073	112,952	15,954,053
<i>Excess (deficiency) of revenues over expenditures</i>	838,166	-	(45,912)	792,254
Fund balance at beginning of the year	5,306,422	-	39,748	5,346,170
Fund balance at end of the year	\$ 6,144,588	\$ -	\$ (6,164)	\$ 6,138,424

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

OPERATIONAL FUND - NO. 11000
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive (Negative)
Revenues:				
Taxes:				
Property	\$ 238,585	\$ 238,585	\$ 251,256	\$ 12,671
Intergovernmental - federal grants	330,354	330,354	542,396	212,042
Intergovernmental - state grants	14,610,165	14,878,103	14,872,354	(5,749)
Contributions - private grants	1,000	1,000	5,000	4,000
Charges for services	8,000	8,000	16,035	8,035
Investment and interest income	25,000	25,000	40,985	15,985
Miscellaneous	-	-	79,321	79,321
Total revenues	15,213,104	15,481,042	15,807,347	326,305
Expenditures:				
Current:				
Instruction	10,051,950	10,319,888	8,669,691	1,650,197
Support services:				
Students	1,631,250	1,631,250	1,365,025	266,225
Instruction	732,735	732,735	466,898	265,837
General Administration	501,519	501,519	375,008	126,511
School Administration	1,237,518	1,237,518	950,563	286,955
Central Services	912,127	912,127	588,603	323,524
Operation & Maintenance of Plant	3,050,681	3,130,681	2,561,308	569,373
Other Support services	1,001,686	1,001,686	-	1,001,686
Capital outlay	267,195	187,195	-	187,195
Total expenditures	19,386,661	19,654,599	14,977,096	4,677,503
<i>Excess (deficiency) of revenues over expenditures</i>	(4,173,557)	(4,173,557)	830,251	5,003,808
<i>Beginning cash balance budgeted</i>	4,173,557	4,173,557	-	(4,173,557)
Fund balance at beginning of the year	-	-	5,306,422	5,306,422
Fund balance at end of the year	\$ -	\$ -	6,136,673	\$ 6,136,673
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(270)	
Change in payables			8,069	
Change in deferred property taxes			116	
Fund balance at end of the year (GAAP basis)			\$ 6,144,588	

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

TRANSPORTATION FUND - NO. 13000
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues:				
Intergovernmental - state grants	\$ 872,073	\$ 872,073	\$ 872,073	\$ -
Expenditures:				
Current:				
Support services:				
Student transportation	872,073	872,073	872,073	-
<i>Excess of revenues over expenditures</i>	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	-	\$ -
RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance at end of the year (GAAP basis)			\$ -	

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

INSTRUCTIONAL MATERIALS FUND - NO. 14000
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Intergovernmental - state grants	\$ 67,040	\$ 73,204	\$ 67,040	\$ (6,164)
Expenditures:				
Current:				
Instruction	67,040	112,952	112,952	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	(39,748)	(45,912)	(6,164)
<i>Beginning cash balance budgeted</i>	-	39,748	-	(39,748)
Fund balance at beginning of the year	-	-	39,748	39,748
Fund balance at end of the year	\$ -	\$ -	(6,164)	\$ (6,164)
 RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
Fund balance (deficit) at end of the year (GAAP basis)			\$ (6,164)	

NONMAJOR GOVERNMENTAL FUNDS

(OTHER SUPPLEMENTAL INFORMATION)

Funds that did not meet the requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis* to be considered Major Funds and have not been identified as Major Funds by management.

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Nonmajor Special Revenue Funds

Special revenue funds are operating funds used to account for the proceeds of specific revenue sources that are intended for specific purposes other than special assessments or major capital projects.

- | | |
|---|------------------------------|
| <p>Food Service (Fund No. 21000)
 This program provides financing for the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-4, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 sat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.</p> | <p>Minimum Balance: None</p> |
| <p>Athletics (Fund No. 22000)
 This fund provides financing for school athletic activities. Funding is provided by fees from patrons.</p> | <p>Minimum Balance: None</p> |
| <p>Title I (Fund No. 24101)
 To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.</p> | <p>Minimum Balance: None</p> |
| <p>Entitlement IDEA-B (Fund No. 24106)
 Program provides grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.</p> | <p>Minimum Balance: None</p> |
| <p>Preschool IDEA-B (Fund No. 24109)
 The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.</p> | <p>Minimum Balance: None</p> |
| <p>IDEA-B Early Intervention (Fund No. 24112)
 To account for a federal grant restricted to the operation and maintenance of meeting the special education needs of children with disabilities. (Authority, Individuals with Disabilities Act, Part B Sec 611, as amended; P.L. 91-230, 93-380, 94-142, 98-199, 99-457, 100-630, and 101-476; U.S.C. 1401-1419, P.L. 105-17)</p> | <p>Minimum Balance: None</p> |
| <p>Striving Readers (Fund No. 24145)
 The purpose of the Striving Readers Comprehensive Literacy (SRCL) discretionary grants is to create a comprehensive literacy program to advance literacy skills — including pre-literacy skills, reading, and writing — for students from birth through grade 12, including limited-English-proficient students and students with disabilities. Authorizations: Elementary and Secondary Education Act of 1965, as amended, Title II, Part B, Subpart 2, Section 2222</p> | <p>Minimum Balance: None</p> |
| <p>Title III English Language (Fund No. 24153)
 To ensure that limited English proficient children (LEP) and youth, including immigrant children and youth, attain English proficiency and meet the same standards as all children and youth are expected to meet; to provide assistance to Native American, Native Hawaiian, Native American Pacific Islander, and Alaskan native children with certain modifications relative to the unique status of native American language under Federal Law; to develop to the extent possible, the native language skills of such children. The fund is authorized through the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101,3129.</p> | <p>Minimum Balance: None</p> |
| <p>Title II Teacher Quality (Fund No. 24154)
 To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in the academic achievement. Authorization is granted through the Elementary and Secondary Education Act of 1965, as amended, Title II, Part A, Public Law 107-110.</p> | <p>Minimum Balance: None</p> |
| <p>Rural & Low Income Schools (Fund No. 24160)
 To account for federal grant assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools, and specifically to provide funds for teacher recruitment, retention, and teacher professional development, educational technology, and parental involvement activities. Authority for this fund comes from the Elementary and Secondary Education Act of 1965, as amended, Title VI, Part B, as amended.</p> | <p>Minimum Balance: None</p> |
| <p>Title I School Improvement (Fund No. 24162)
 To develop parental involvement in the school curriculum. The program is funded by the United States government under P.L. 100-297.</p> | <p>Minimum Balance: None</p> |

Nonmajor Special Revenue Funds (cont'd)

- Impact Aid Special/Indian Education** (Fund No. 25145 & 25147) Minimum Balance: None
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), where there is 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 No. 25153) Minimum Balance: None
To provide financial assistance from the Federal government which flows-through the State of New Mexico to school districts, for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women and the aged who meet income and resource requirements, and other categorically-eligible groups. The program is funded by the U.S. government under the Social Security Act, Title XIX, as amended; Public Laws 92-223, 92-602, 93-66, 93-233, 96-499, 97-35, 97-2248, 98-369, 99-272, 99-509, 100-93, 100-202, 100-203, 100-360, 100-436, 100-485, 100-647, 101-166, 101-234, 101-239, 101-508, 101-517, 102-234, 102-170, 102-394, 103-66, 103-14, 103-333, 104-91, 104-191, 104-193, 104-208, and 104-134; Balanced Budget Act of 1997, Public Law 105-33.
- Child & Adult Food Program** (Fund No. 25171) Minimum Balance: None
To account for the activities of a program to provide for healthier schools by providing a health center at the schools. Funding is from the New Mexico Department of Health. The authority for creation of this fund was approved by the original budget by the Cuba Board of Education.
- Indian Ed Formula Grant** (Fund No. 25184) Minimum Balance: None
The purpose of this program is to support projects which improve educational opportunities and achievement of Native American children. Funding is provided by the Federal Government, under the Elementary and Secondary Education Act of 1965, Title IX, Part A, Subpart 1, as amended, Public Law 103-382, 20 U.S.C. 7811-7818; 25 U.S.C. 2002.
- Dual Credit Instructional Materials** (Fund No. 27103) Minimum Balance: None
To be used for courses approved by Higher Education Department (HED) and through a college/university for which the district has an approved agreement.
- Library Go Bonds 2012** (Fund No. 27107) Minimum Balance: None
Funds to be used for library books and library resources for public school libraries statewide. Library resources include computers, software, projectors, televisions, other related hardware and software, shelving, desks, chairs, and book trucks/carts. Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10.B.(3).
- Excellence in Teaching** (Fund No. 27125) Minimum Balance: None
The funding under this award must be used solely for Excellence in Teaching salary supplements. These salary supplements are \$5,000.00 or \$10,000.00 per teacher and may only be awarded to teachers who have met the award criteria.
- Pre-K Initiative** (Fund No. 27149) Minimum Balance: None
The pre-k program shall address the total development needs of preschool children, including physical, cognitive, social and emotional needs, and shall include health care, nutrition, safety and multicultural sensitivity.
- Breakfast for Elementary Students** (Fund No. 27155) Minimum Balance: None
The Breakfast for Elementary School program provides foods (at no charge) after the instructional day has begun, provided that instruction occurs simultaneously with breakfast. Authorized through 22-13-13.2 NMSA 1978; NMAC 6.12.9
- Kindergarten 3-Plus** (Fund No. 27166) Minimum Balance: None
To account for funds received to provide the opportunity for the district to address early literacy. The fullday kindergarten program is the first step in the implementation of a sequential early literacy approach to teaching reading.
- College Counselor Initiative** (Fund No. 27189) Minimum Balance: None
Funding to be used by KCHS and SHS to hire a college advisor solely dedicated to college advisement. College advisors will be hired under STARS assignment code #83 as a Resource Coordinator. The hired Advisor(s) must have an appropriate license in accordance with STARS assignment code #83.

Nonmajor Special Revenue Funds (cont'd)

- | | |
|---|--------------------------|
| <p>Suicide Prevention (Fund No. 28158)
 The purpose of this fund is to account for the agreement used to provide integrated primary and behavioral health care for adolescents through a school based health center. The authority and funding for this agreement is provided by the contract between the REC and the New Mexico Department of Health.</p> | Minimum Balance: None |
| <p>GRADS Child Care (Fund No. 28189)
 The Graduation, Reality, and Dual-role Skills (GRADS) program provides funding to participating schools in providing services for teen parents who are students at the participating schools.</p> | Minimum Balance: None |
| <p>GRADS Instruction (Fund No. 28190)
 The Graduation, Reality, and Dual-role Skills (GRADS) program provides funding to participating schools in providing services for teen parents who are students at the participating schools.</p> | Minimum Balance: None |
| <p>GRADS Plus (Fund No. 28203)
 To develop a curriculum that identifies that reflect serious needs for pregnant or parenting teens.</p> | Minimum Balance: None |

Nonmajor Capital Projects Funds

- Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- | | |
|--|--------------------------|
| <p>Special Capital Outlay – Local (Fund No. 31300)
 This fund provides financing from local revenues for the construction and improvements to District building and facilities.</p> | Minimum Balance: None |
| <p>State SB-9 Match (Fund No. 31700)
 To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico’s State Equalization Matching as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).</p> | Minimum Balance: None |
| <p>Capital Improvements SB – 9 (Fund No. 31701)
 This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9.</p> | Minimum Balance: None |

Nonmajor Debt Service Funds

- Debt service funds are used to account for the payment of principal and interest on long-term debt. Debt Service revenues are from taxes and other operating revenues, some of which are pledged specifically to repay certain outstanding bond issues.
- | | |
|---|--------------------------|
| <p>Education Technology Debt Service (Fund No. 43000)
 Used to account for the accumulation of resources for and the payment of, general long-term debt principal, interest, and related costs associated with the Education Technology bond issues.</p> | Minimum Balance: None |
|---|--------------------------|

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

Special Revenue Funds

	Food Service Fund #21000	Athletics Fund #22000	Title I Fund #24101	Entitlement IDEA-B Fund #24106	Preschool IDEA-B Fund #24109
Assets					
Cash and cash equivalents	\$ 475,764	\$ 40,466	\$ -	\$ -	\$ -
Receivables:					
Property taxes	-	-	-	-	-
Grant	121,587	-	156,197	151,885	12,914
Due from other funds	-	-	-	-	-
Food inventory	11,633	-	-	-	-
Total assets	\$ 608,984	\$ 40,466	\$ 156,197	\$ 151,885	\$ 12,914
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 20,671	\$ 24,520	\$ 4,188
Due to other funds	-	-	135,526	127,365	8,726
Total liabilities	-	-	156,197	151,885	12,914
Deferred inflows of resources:					
Advances of federal, state, and local grants	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balance:					
Non-spendable:					
Inventories	11,633	-	-	-	-
Restricted for:					
Special revenue funds	597,351	40,466	-	-	-
Capital projects funds	-	-	-	-	-
Debt service	-	-	-	-	-
Total fund balance	608,984	40,466	-	-	-
Total liabilities, deferred inflows of resources, and fund balance	\$ 608,984	\$ 40,466	\$ 156,197	\$ 151,885	\$ 12,914

(cont'd; 1 of 8)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds			
	IDEA-B Early Intervention <u>Fund #24112</u>	Striving Readers <u>Fund #24145</u>	Title III English Language <u>Fund #24153</u>	Title II Teacher Quality <u>Fund #24154</u>
Assets				
Cash and cash equivalents	\$ 32	\$ -	\$ -	\$ -
Receivables:				
Property taxes	-	-	-	-
Grant	-	122,227	10,094	33,955
Due from other funds	-	-	-	-
Food inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 32</u>	<u>\$ 122,227</u>	<u>\$ 10,094</u>	<u>\$ 33,955</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 880
Due to other funds	<u>-</u>	<u>122,227</u>	<u>10,094</u>	<u>33,075</u>
Total liabilities	<u>-</u>	<u>122,227</u>	<u>10,094</u>	<u>33,955</u>
Deferred inflows of resources:				
Advances of federal, state, and local grants	32	-	-	-
Delinquent property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>32</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Non-spendable:				
Inventories	-	-	-	-
Restricted for:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 32</u>	<u>\$ 122,227</u>	<u>\$ 10,094</u>	<u>\$ 33,955</u>

(cont'd; 2 of 8)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

Special Revenue Funds

	Rural & Low- Income Schools Fund #24160	Title I School Improvement Fund #24162	Impact Aid Special Education Fund #25145	Impact Aid Indian Education Fund #25147	Title XIX Medicaid Fund #25153
Assets					
Cash and cash equivalents	\$ -	\$ 9	\$ 85,284	\$ 88,743	\$ 189,314
Receivables:					
Property taxes	-	-	-	-	-
Grant	27,003	-	-	-	-
Due from other funds	-	-	-	-	-
Food inventory	-	-	-	-	-
Total assets	\$ 27,003	\$ 9	\$ 85,284	\$ 88,743	\$ 189,314
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	\$ 5,398	\$ -	\$ 2,156	\$ 5,606	\$ 1,799
Due to other funds	21,605	-	-	-	-
Total liabilities	27,003	-	2,156	5,606	1,799
Deferred inflows of resources:					
Advances of federal, state, and local grants	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	-
Restricted for:					
Special revenue funds	-	9	83,128	83,137	187,515
Capital projects funds	-	-	-	-	-
Debt service	-	-	-	-	-
Total fund balance	-	9	83,128	83,137	187,515
Total liabilities, deferred inflows of resources, and fund balance	\$ 27,003	\$ 9	\$ 85,284	\$ 88,743	\$ 189,314

(cont'd; 3 of 8)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds			
	Child & Adult Food Program Fund #25171	Indian Ed Formula Grant Fund #25184	Dual Credit Instructional Materials Fund #27103	Libraries GO Bond 2012 Fund #27107
Assets				
Cash and cash equivalents	\$ 8,126	\$ 8,847	\$ -	\$ -
Receivables:				
Property taxes	-	-	-	-
Grant	-	-	1,823	1,843
Due from other funds	-	-	-	-
Food inventory	-	-	-	-
Total assets	<u>\$ 8,126</u>	<u>\$ 8,847</u>	<u>\$ 1,823</u>	<u>\$ 1,843</u>
 Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ 717	\$ -	\$ -
Due to other funds	-	-	1,823	1,843
Total liabilities	<u>-</u>	<u>717</u>	<u>1,823</u>	<u>1,843</u>
Deferred inflows of resources:				
Advances of federal, state, and local grants	-	-	-	-
Delinquent property taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Non-spendable:				
Inventories	-	-	-	-
Restricted for:				
Special revenue funds	8,126	8,130	-	-
Capital projects funds	-	-	-	-
Debt service	-	-	-	-
Total fund balance	<u>8,126</u>	<u>8,130</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 8,126</u>	<u>\$ 8,847</u>	<u>\$ 1,823</u>	<u>\$ 1,843</u>

(cont'd; 4 of 8)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds				
	Excellence in Teaching Fund #27125	Pre-K Initiative Fund #27149	Breakfast for Elementary Students Fund #27155	Kindergarten 3- Plus Fund #27166	College Counselor Initiative Fund #27189
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables:					
Property taxes	-	-	-	-	-
Grant	-	61,573	-	-	-
Due from other funds	-	-	-	-	-
Food inventory	-	-	-	-	-
Total assets	\$ -	\$ 61,573	\$ -	\$ -	\$ -
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	\$ -	\$ 7,650	\$ -	\$ -	\$ -
Due to other funds	-	53,923	-	-	-
Total liabilities	-	61,573	-	-	-
Deferred inflows of resources:					
Advances of federal, state, and local grants	-	-	-	-	-
Delinquent property taxes	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balance:					
Non-spendable:					
Inventories	-	-	-	-	-
Restricted for:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt service	-	-	-	-	-
Total fund balance	-	-	-	-	-
Total liabilities, deferred inflows of resources, and fund balance	\$ -	\$ 61,573	\$ -	\$ -	\$ -

(cont'd; 5 of 8)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds			
	Suicide Prevention <u>Fund #28158</u>	GRADS Child Care <u>Fund #28189</u>	GRADS Instruction <u>Fund #28190</u>	GRADS Plus <u>Fund #28203</u>
Assets				
Cash and cash equivalents	\$ 4,455	\$ 117	\$ 2,322	\$ 8,030
Receivables:				
Property taxes	-	-	-	-
Grant	-	-	-	-
Due from other funds	-	-	-	-
Food inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 4,455</u>	<u>\$ 117</u>	<u>\$ 2,322</u>	<u>\$ 8,030</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ 35	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Advances of federal, state, and local grants	-	-	-	-
Delinquent property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Non-spendable:				
Inventories	-	-	-	-
Restricted for:				
Special revenue funds	4,420	117	2,322	8,030
Capital projects funds	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>4,420</u>	<u>117</u>	<u>2,322</u>	<u>8,030</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 4,455</u>	<u>\$ 117</u>	<u>\$ 2,322</u>	<u>\$ 8,030</u>

(cont'd; 6 of 8)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Total Non-Major Special Revenue Funds	Capital Projects Funds		Total Non-Major Capital Projects Funds
		State SB-9 Match Fund #31700	Capital Improvements SB-9 Fund #31701	
Assets				
Cash and cash equivalents	\$ 911,509	\$ -	\$ 1,146,823	\$ 1,146,823
Receivables:				
Property taxes	-	-	111,670	111,670
Grant	701,101	47,084	-	47,084
Due from other funds	-	-	47,084	47,084
Food inventory	<u>11,633</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,624,243</u>	<u>\$ 47,084</u>	<u>\$ 1,305,577</u>	<u>\$ 1,352,661</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ 73,620	\$ -	\$ 2,511	\$ 2,511
Due to other funds	<u>516,207</u>	<u>47,084</u>	<u>-</u>	<u>47,084</u>
Total liabilities	<u>589,827</u>	<u>47,084</u>	<u>2,511</u>	<u>49,595</u>
Deferred inflows of resources:				
Advances of federal, state, and local grants	32	-	-	-
Delinquent property taxes	<u>-</u>	<u>-</u>	<u>91,029</u>	<u>91,029</u>
Total deferred inflows of resources	<u>32</u>	<u>-</u>	<u>91,029</u>	<u>91,029</u>
Fund balance:				
Non-spendable:				
Inventories	11,633	-	-	-
Restricted for:				
Special revenue funds	1,022,751	-	-	-
Capital projects funds	-	-	1,212,037	1,212,037
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>1,034,384</u>	<u>-</u>	<u>1,212,037</u>	<u>1,212,037</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,624,243</u>	<u>\$ 47,084</u>	<u>\$ 1,305,577</u>	<u>\$ 1,352,661</u>

(cont'd; 7 of 8)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2019

	Ed Tech Debt Service <u>Fund #43000</u>	Total Nonmajor Governmental <u>Funds</u>
Assets		
Cash and cash equivalents	\$ 1,332	\$ 2,059,664
Receivables:		
Property taxes	577	112,247
Grant	-	748,185
Due from other funds	-	47,084
Food inventory	<u>-</u>	<u>11,633</u>
Total assets	<u>\$ 1,909</u>	<u>\$ 2,978,813</u>
 Liabilities, deferred inflows and fund balance		
Liabilities:		
Accounts payable	\$ -	\$ 76,131
Due to other funds	<u>-</u>	<u>563,291</u>
Total liabilities	<u>-</u>	<u>639,422</u>
Deferred inflows of resources:		
Advances of federal, state, and local grants	-	32
Delinquent property taxes	<u>565</u>	<u>91,594</u>
Total deferred inflows of resources	<u>565</u>	<u>91,626</u>
Fund balance:		
Non-spendable:		
Inventories	-	11,633
Restricted for:		
Special revenue funds	-	1,022,751
Capital projects funds	-	1,212,037
Debt service	<u>1,344</u>	<u>1,344</u>
Total fund balance	<u>1,344</u>	<u>2,247,765</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,909</u>	<u>\$ 2,978,813</u>

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STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds				
	<u>Food Service</u>	<u>Athletics</u>	<u>Title I</u>	<u>Entitlement</u>	<u>Preschool</u>
	<u>Fund #21000</u>	<u>Fund #22000</u>	<u>Fund #24101</u>	<u>IDEA-B</u>	<u>IDEA-B</u>
				<u>Fund #24106</u>	<u>Fund #24109</u>
Revenues:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	1,216,723	-	405,349	455,385	31,119
Intergovernmental - state grants	-	-	-	-	-
Contributions - private grants	-	250	-	-	-
Charges for services	77,935	48,459	-	-	-
Investment and interest income	3,184	354	-	-	-
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,297,842</u>	<u>49,063</u>	<u>405,349</u>	<u>455,385</u>	<u>31,119</u>
Expenditures:					
Current:					
Instruction	-	46,231	46,861	229,164	30,691
Support services:					
Students	-	-	298,728	209,283	-
Instruction	-	-	38,673	-	-
General Administration	-	-	21,087	16,938	428
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Food services operations	1,071,995	-	-	-	-
Capital outlay	<u>33,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,105,139</u>	<u>46,231</u>	<u>405,349</u>	<u>455,385</u>	<u>31,119</u>
<i>Excess (deficiency) of revenues over expenditures</i>	192,703	2,832	-	-	-
Fund balance at beginning of the year	<u>416,281</u>	<u>37,634</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ 608,984</u>	<u>\$ 40,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(cont'd; 1 of 7)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds				
	IDEA-B Early Intervention <u>Fund #24112</u>	Striving Readers <u>Fund #24145</u>	Title III English Language <u>Fund #24153</u>	Title II Teacher Quality <u>Fund #24154</u>	Rural & Low- Income Schools <u>Fund #24160</u>
Revenues:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	-	162,442	10,094	59,379	27,003
Intergovernmental - state grants	-	-	-	-	-
Contributions - private grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment and interest income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>162,442</u>	<u>10,094</u>	<u>59,379</u>	<u>27,003</u>
Expenditures:					
Current:					
Instruction	-	161,379	9,759	33,467	27,003
Support services:					
Students	-	-	-	23,647	-
Instruction	-	286	-	-	-
General Administration	-	242	335	2,265	-
School Administration	-	424	-	-	-
Central Services	-	111	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Food services operations	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>162,442</u>	<u>10,094</u>	<u>59,379</u>	<u>27,003</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-	-
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(cont'd; 2 of 7)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds				
	Title I School Improvement Fund #24162	Impact Aid Special Education Fund #25145	Impact Aid Indian Education Fund #25147	Title XIX Medicaid Fund #25153	Child & Adult Food Program Fund #25171
Revenues:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	-	84,757	59,174	103,350	106
Intergovernmental - state grants	-	-	-	-	-
Contributions - private grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment and interest income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>84,757</u>	<u>59,174</u>	<u>103,350</u>	<u>106</u>
Expenditures:					
Current:					
Instruction	-	23,519	17,640	2,890	-
Support services:					
Students	-	-	42,510	43,678	-
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student transportation	-	-	2,500	-	-
Food services operations	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>23,519</u>	<u>62,650</u>	<u>46,568</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	61,238	(3,476)	56,782	106
Fund balance at beginning of the year	<u>9</u>	<u>21,890</u>	<u>86,613</u>	<u>130,733</u>	<u>8,020</u>
Fund balance at end of the year	<u>\$ 9</u>	<u>\$ 83,128</u>	<u>\$ 83,137</u>	<u>\$ 187,515</u>	<u>\$ 8,126</u>

(cont'd; 3 of 7)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds				
	Indian Ed Formula Grant Fund #25184	Dual Credit Instructional Materials Fund #27103	Libraries GO Bond 2012 Fund #27107	Excellence in Teaching Fund #27125	Pre-K Initiative Fund #27149
Revenues:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	66,262	-	-	-	-
Intergovernmental - state grants	-	8,851	1,843	48,442	272,745
Contributions - private grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment and interest income	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>66,262</u>	<u>8,851</u>	<u>1,843</u>	<u>48,442</u>	<u>272,745</u>
Expenditures:					
Current:					
Instruction	3,107	8,851	-	48,442	219,294
Support services:					
Students	55,025	-	-	-	-
Instruction	-	-	1,843	-	-
General Administration	-	-	-	-	2,281
School Administration	-	-	-	-	25,978
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student transportation	-	-	-	-	25,192
Food services operations	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>58,132</u>	<u>8,851</u>	<u>1,843</u>	<u>48,442</u>	<u>272,745</u>
<i>Excess (deficiency) of revenues over expenditures</i>	8,130	-	-	-	-
Fund balance at beginning of the year	-	-	-	-	-
Fund balance at end of the year	<u>\$ 8,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(cont'd; 4 of 7)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds				
	Breakfast for Elementary Students Fund #27155	Kindergarten 3-Plus Fund #27166	College Counselor Initiative Fund #27189	Suicide Prevention Fund #28158	GRADS Child Care Fund #28189
Revenues:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - federal grants	-	-	-	-	-
Intergovernmental - state grants	14,757	99,382	-	5,001	-
Contributions - private grants	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment and interest income	-	-	-	-	-
Miscellaneous	-	-	-	125	-
Total revenues	<u>14,757</u>	<u>99,382</u>	<u>-</u>	<u>5,126</u>	<u>-</u>
Expenditures:					
Current:					
Instruction	-	71,982	-	5,238	-
Support services:					
Students	-	2,026	-	1,230	-
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	-	7,758	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student transportation	-	17,616	-	-	-
Food services operations	14,757	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>14,757</u>	<u>99,382</u>	<u>-</u>	<u>6,468</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	(1,342)	-
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,762</u>	<u>117</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,420</u>	<u>\$ 117</u>

(cont'd; 5 of 7)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Special Revenue Funds			Capital Projects Funds	
	GRADS Instruction Fund #28190	GRADS Plus Fund #28203	Total Nonmajor Special Revenue Funds	State SB-9 Match Fund #31700	Capital Improvements SB-9 Fund #31701
Revenues:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ 1,416,032
Intergovernmental - federal grants	-	-	2,681,143	-	-
Intergovernmental - state grants	-	-	451,021	47,084	-
Contributions - private grants	-	-	250	-	-
Charges for services	-	-	126,394	-	-
Investment and interest income	-	-	3,538	-	3,229
Miscellaneous	-	-	125	-	-
Total revenues	-	-	3,262,471	47,084	1,419,261
Expenditures:					
Current:					
Instruction	-	-	985,518	-	-
Support services:					
Students	-	-	676,127	-	-
Instruction	-	-	40,802	-	-
General Administration	-	-	43,576	-	14,169
School Administration	-	-	34,160	-	-
Central Services	-	-	111	-	-
Operation & Maintenance of Plant	-	-	-	1,763	104,785
Student transportation	-	-	45,308	-	-
Food services operations	-	-	1,086,752	-	-
Capital outlay	-	-	33,144	45,321	1,239,703
Total expenditures	-	-	2,945,498	47,084	1,358,657
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	316,973	-	60,604
Fund balance at beginning of the year	2,322	8,030	717,411	-	1,151,433
Fund balance at end of the year	\$ 2,322	\$ 8,030	\$ 1,034,384	\$ -	\$ 1,212,037

(cont'd; 6 of 7)

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
 Changes in Fund Balance
 Year Ended June 30, 2019**

	Total Nonmajor Capital Projects Funds	Ed Tech Debt Service Fund #43000	Total Nonmajor Governmental Funds
Revenues:			
Taxes:			
Property	\$ 1,416,032	\$ 72	\$ 1,416,104
Intergovernmental - federal grants	-	-	2,681,143
Intergovernmental - state grants	47,084	-	498,105
Contributions - private grants	-	-	250
Charges for services	-	-	126,394
Investment and interest income	3,229	-	6,767
Miscellaneous	<u>-</u>	<u>-</u>	<u>125</u>
Total revenues	<u>1,466,345</u>	<u>72</u>	<u>4,728,888</u>
Expenditures:			
Current:			
Instruction	-	-	985,518
Support services:			
Students	-	-	676,127
Instruction	-	-	40,802
General Administration	14,169	1	57,746
School Administration	-	-	34,160
Central Services	-	-	111
Operation & Maintenance of Plant	106,548	-	106,548
Student transportation	-	-	45,308
Food services operations	-	-	1,086,752
Capital outlay	<u>1,285,024</u>	<u>-</u>	<u>1,318,168</u>
Total expenditures	<u>1,405,741</u>	<u>1</u>	<u>4,351,240</u>
<i>Excess (deficiency) of revenues over expenditures</i>	60,604	71	377,648
Fund balance at beginning of the year	<u>1,151,433</u>	<u>1,273</u>	<u>1,870,117</u>
Fund balance at end of the year	<u>\$ 1,212,037</u>	<u>\$ 1,344</u>	<u>\$ 2,247,765</u>

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STATE REQUIRED DISCLOSURES
(OTHER SUPPLEMENTAL INFORMATION)

Supplemental schedules required by the State of
New Mexico to provide additional analysis.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

FIDUCIARY FUNDS
Schedule of Changes in Assets and Liabilities - All Agency Funds
Year Ended June 30, 2019

<u>ASSETS</u>	Balance <u>June 30, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	Transfers <u>In / (Out)</u>	Balance <u>June 30, 2019</u>
Cash and cash equivalents:					
Nob Hill Elementary	\$ 7,675	\$ -	\$ -	\$ (7,675)	\$ -
Sierra Vista Elementary	19,365	11,605	14,723	-	16,247
White Mountain Elementary	27,000	42,301	45,132	7,675	31,844
Middle School	33,035	66,946	51,918	-	48,063
High School	<u>139,431</u>	<u>76,510</u>	<u>74,682</u>	<u>-</u>	<u>141,259</u>
<u>Due from District funds</u>	<u>\$ 226,506</u>	<u>\$ 197,362</u>	<u>\$ 186,455</u>	<u>\$ -</u>	<u>\$ 237,413</u>
<u>LIABILITIES</u>					
Deposits held for others	<u>\$ 226,506</u>	<u>\$ 197,362</u>	<u>\$ 186,455</u>	<u>\$ -</u>	<u>\$ 237,413</u>

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2019

		<u>BBVA Compass</u>
Cash on deposit at June 30, 2019:		
Checking and savings	\$	16,702,422
Less: FDIC coverage		<u>(250,000)</u>
Uninsured funds	\$	<u>16,452,422</u>
 Amount requiring pledged collateral:		
50% collateral requirement	\$	8,226,211
Pledged collateral		<u>18,500,000</u>
Excess (deficiency) of pledged collateral	\$	<u>10,273,789</u>

Pledged collateral of financial institutions consists of the following at June 30, 2019

<u>BBVA Compass:</u>	<u>Maturity</u>	<u>LOC#</u>	<u>Market Value</u>
FHLB LOC	12/1/2018	134337	\$ 7,000,000
FHLB LOC	1/11/2019	136246	6,000,000
FHLB LOC	1/23/2019	137830	<u>5,500,000</u>
			<u>\$ 18,500,000</u>

The above letters of credit are held at Federal Home Loan Bank, Atlanta, GA.

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

CASH RECONCILIATION
 Year Ended June 30, 2019

	Beginning Cash	Receipts	Distributions	Other	Net Cash End of Period	Adjustments to the report	Total Cash on Report
Operations	\$ 5,336,807	\$ 15,807,346	\$ 14,977,097	\$ -	\$ 6,167,056	\$ (777,820)	\$ 5,389,236
Transportation	-	872,073	872,073	-	-	-	-
Instructional Materials	39,748	67,040	112,952	-	(6,164)	6,164	-
Food Services	408,732	1,100,217	1,033,185	-	475,764	-	475,764
Athletics	37,634	49,063	46,231	-	40,466	-	40,466
Federal Flowthrough Funds	(512,505)	1,413,886	2,369,465	-	(1,468,084)	1,468,125	41
Federal Direct Funds	248,229	312,675	190,869	-	370,035	10,279	380,314
State Flowthrough Funds	(64,407)	445,190	446,021	-	(65,238)	65,238	-
State Direct Funds	16,231	5,125	6,467	-	14,889	35	14,924
Bond Building	5,618,340	31,692	5,050,764	2,816,543	3,415,811	-	3,415,811
State SB-9 Match	(47,467)	47,467	47,084	-	(47,084)	47,084	-
Capital Improvements SB-9	1,129,904	1,420,149	1,356,146	-	1,193,907	(47,084)	1,146,823
Debt Service	3,987,842	4,271,213	3,886,298	-	4,372,757	-	4,372,757
Ed Tech Debt Service	1,273	60	1	-	1,332	-	1,332
Agency Funds	-	-	-	-	-	237,413	237,413
Total	\$ 16,200,361	\$ 25,843,196	\$ 30,394,653	\$ 2,816,543	\$ 14,465,447	\$ 1,009,434	\$ 15,474,881
Account Name	Account Type	Bank Name	Bank Amount	Adjustments to report:			
Operational	Checking - Interest	BBVA Compass	\$ 5,135,964	Agency funds		\$ 237,413	
Food Service	Checking - Interest	BBVA Compass	649,806	Interfund loans payable - pooled cash		1,451,956	
Athletics	Checking - Interest	BBVA Compass	40,466	Interfund loans receivable - pooled cash		(1,451,956)	
Sierra Vista Primary	Checking - Interest	BBVA Compass	16,330	Clearing account		13,179	
White Mountain Elementary	Checking - Interest	BBVA Compass	34,530	Written checks held at yearend		758,842	
Ruidoso Middle School	Checking - Interest	BBVA Compass	48,927	Total adjustment to the report		\$ 1,009,434	
Ruidoso High School	Checking - Interest	BBVA Compass	145,523				
Capital Project	Checking - Interest	BBVA Compass	3,982,545	Adjustments to cash:			
Capital Improvements	Checking - Interest	BBVA Compass	1,410,696	Bank Balance		\$ 16,702,422	
Debt Service	Checking - Interest	BBVA Compass	4,374,090	Cash on hand		-	
Payroll	Checking - Interest	BBVA Compass	863,545	Outstanding deposits		-	
			\$ 16,702,422	Outstanding checks		(1,227,541)	
				Total adjusted cash		\$ 15,474,881	

COMPLIANCE SECTION

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

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Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance
Required By Uniform Guidance

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Schedule of Findings and Questioned Costs:
Summary of Auditor's Results
Financial Statement Findings
Federal Award Findings

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Summary Schedule of Prior Year Audit Findings

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Schedule of Expenditures of Federal Awards
Notes to the Schedule of Expenditures of Federal Awards

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Required Disclosure

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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

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

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, the budgetary comparison of the general fund of the Ruidoso Municipal School District No. 3 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Ruidoso Municipal School District No. 3's basic financial statements, and the combining and individual funds of Ruidoso Municipal School District No. 3, presented as supplemental information, and have issued our report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Ruidoso Municipal School District No. 3'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 Ruidoso Municipal School District No. 3's internal control. Accordingly, we do not express an opinion on the effectiveness of Ruidoso Municipal School District No. 3'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 Ruidoso Municipal School District No. 3's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

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

Compliance and other matters

As part of obtaining reasonable assurance about whether Ruidoso Municipal School District No. 3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We also noted a certain other matter that is required to be reported pursuant to Government Auditing Standards and pursuant to Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as finding 2019-001.

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

Ruidoso Municipal School District No. 3's Response to Findings

Ruidoso Municipal School District No. 3's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Ruidoso Municipal School District No. 3'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 Ruidoso Municipal School District No. 3's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 18, 2019



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

Report on Compliance for Each Major Federal Program

We have audited Ruidoso Municipal School District No. 3's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ruidoso Municipal School District No. 3's major federal programs for the year ended June 30, 2019. Ruidoso Municipal School District No. 3's major federal programs are 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 Ruidoso Municipal School District No. 3's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ruidoso Municipal School District No. 3's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ruidoso Municipal School District No. 3's compliance.

Opinion on Each Major Federal Program

In our opinion, Ruidoso Municipal School District No. 3 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, 2019.

Brian S. Colón, Esq., State Auditor and
The Board of Education and Audit Committee of
Ruidoso Municipal School District No. 3

Report on Internal Control Over Compliance

Management of Ruidoso Municipal School District No. 3 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 Ruidoso Municipal School District No. 3's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Ruidoso Municipal School District No. 3's internal control over compliance.

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

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

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

Accounting & Financial Solutions, LLC
Farmington, New Mexico
October 18, 2019

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF NEW MEXICO
RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed To Subrecipients</u>	<u>Cluster Programs</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:					
Direct Program:					
Forest Reserve	10.665	11000	\$ -		\$ 92,090
Pass-Through Program From:					
New Mexico Department of Education:					
<u>Child Nutrition Cluster:</u>					
USDA National School Lunch Program	10.555	21000	-	\$ 697,245	
USDA School Breakfast Program	10.553	21000	-	331,855	
Total Child Nutrition Cluster					1,029,100
Pass-Through Program From:					
New Mexico Human Service Department:					
USDA Commodities Program	10.565	21000	-		76,039
<i>Subtotal Pass-Through Programs</i>					1,105,139
<i>Total U.S. Department of Agriculture</i>					1,197,229
U.S. Department of Education:					
Direct Programs:					
Impact Aid Indian Education	84.041	11000	-		369,261
Impact Aid Special Education	84.041	25145	-		23,519
Impact Aid Indian Education	84.041	25147	-		62,650
Indian Ed Formula Grant	84.060	25184	-		58,132
<i>Subtotal Direct Programs</i>					513,562
Pass-Through Programs From:					
New Mexico Department of Education:					
<u>Special Education (IDEA) Cluster:</u>					
Entitlement IDEA-B	84.027	24106	-	\$ 455,385	
Preschool IDEA-B	84.173	24109	-	31,119	
Total Special Education (IDEA) Cluster					486,504
Title I	84.010	24101	-		405,349
Title I - 1003g	84.377	24124	-		1,218,694
Striving Readers	84.371C	24145	-		162,442
Title III English Language	84.365	24153	-		10,094
Title II Teacher Quality	84.367	24154	-		59,379
Rural & Low-Income Schools	84.358	24160	-		27,003
<i>Subtotal Pass-Through Programs</i>					2,369,465
<i>Total U.S. Department of Education</i>					2,883,027
Total Expenditures of Federal Awards			\$ -		\$ 4,080,256

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

1. Scope of audit pursuant to OMB Uniform Grant Guidance

All federal grant operations of Ruidoso Municipal School District No. 3 (the “District”) are included in the scope of the Office of Management and Budget (“OMB”) Uniform Grant Guidance audit (the “Single Audit”). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised July 2019 the “Compliance Supplement”). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal year 2019 cash and non-cash expenditures to ensure coverage of at least 20% (LOW risk auditee) of federally granted funds. Actual coverage is approximately 51% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of \$4,004,217 and all non-cash expenditures amounted to \$76,039.

<u>MAJOR FEDERAL PROGRAM</u>	<u>CFDA</u>	<u>EXPENDITURE</u>
Cash Assistance:		
Title I	84.010	\$ 405,349
Title I - 1003g	84.010	1,218,694
Special Education (IDEA) Cluster	84.027 & 84.173	<u>486,504</u>
Total		<u>\$ 2,110,547</u>

The District did not have any federal programs considered Type A programs for the year ended June 30, 2019.

The U.S. Department of Education is the District’s oversight agency for single audit.

2. Summary of significant accounting policies

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Grant 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 and changes in net position of the District. All federal programs considered active during the year ended June 30, 2019, are reflected on the Schedule. An active federal program is defined as a federal program for which there were receipts or disbursements of funds or accrued (deferred) grant revenue adjustments during the fiscal year or a federal program considered as not completed or closed out at the beginning of the fiscal year. The Schedule is prepared using the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the District has met the qualifications for the respective grant. Grant revenues for the Food Donation Program are based upon commodities received, at amounts per standard price listing, published quarterly by the United States Department of Agriculture (the “USDA”). In addition, there is no federal insurance in effect during the year and loan or loan guarantee outstanding at year end.

Accrued and deferred reimbursements

Various reimbursement procedures are used for Federal awards received by the District. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balance at year-end represent an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

3. Reconciliation of Federal Awards to Expenditure of Federal Awards

The differences between the federal awards received (Intergovernmental sources – federal) during the year ended June 30, 2019 and the federal awards expended during the year are as follows:

	BALANCE
Federal Sources	\$ 4,442,233
Indirect costs from federal programs	(81,046)
Unexpended federal sources from current year	(294,113)
Prior year federal sources expended	116,532
Revenues received as vendor	(103,350)
Total Expenditures of Federal Awards	<u>\$ 4,080,256</u>

4. Indirect Costs

The District has not elected the 10% de minimis indirect cost during the year ended June 30, 2019.

I. SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
FINANCIAL STATEMENTS:			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	—	✓	—
Significant deficiency(ies) identified?	—	✓	—
Noncompliance material to financial statements noted?	—	✓	—
FEDERAL AWARDS:			
Internal control over major programs:			
Material weakness(es) identified?	—	✓	—
Significant deficiency(ies) identified?	—	✓	—
Type of auditor's report issued on compliance with major programs: <u>Unmodified</u>			
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	—	✓	—
The programs treated as major programs include:			
<u>Name of Federal Program or Cluster</u>			<u>CFDA Number</u>
Title I – 1003g			84.377
Title I			84.010
Special Education (IDEA) Cluster			84.027 & 84.173
The threshold for distinguishing types A and B programs: <u>\$750,000</u>			
Auditee qualified as low-risk auditee?	✓	—	
NEW MEXICO STATE REQUIREMENTS:			
Internal control over state requirements:			
Other noncompliance?	✓	—	1
Finding that does not rise to the level of significant deficiency?	—	✓	—

II. AUDIT FINDINGS - FINANCIAL STATEMENTS

There were no findings required to be reported.

III. AUDIT FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings required to be reported.

IV. AUDIT FINDINGS – SECTION 12-6-5 NMSA 1978

2019 – 001 LATE DEPOSIT OF RECEIPTS (Original No. 2018-002)
(Repeat of prior year finding; updated and revised)
Other Noncompliance

Condition: During the review of cash receipts two of the thirty tested were not deposited into the bank within one banking day from the time of receipt. The two deposits totaled \$1,443.

Status from prior year: The current year, with two occurrences, had improvements over the previous year's seven occurrences.

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

Effect of condition: The District is in violation of NMAC 6.20.2.14(c). Cash retained by management for extended periods of time are susceptible to misuse or fraud.

Cause: Deposits at times were taking more than 24 hours to be deposited in the bank.

Recommendation: on an annual basis, staff members that have responsibilities of collecting and depositing cash receipts should be informed of the legal requirements of depositing cash within one banking day, as well as the District's policies regarding cash collections.

Management's response: The District will continue to provide memoranda throughout the year outlining receipting and deposit policies, NMAC 6.20.2.14(c), to certain staff in order to continue improvement and address deficiencies. Business office staff will also provide additional training regarding NMAC 6.20.2.14(c), during fiscal year 2020.

Responsible party(ies) for corrective action(s): Site Based Principals, Business Manager and Business Office Staff

Corrective action(s) timeline: June 30, 2020

I. PRIOR YEAR FINDINGS - NOT RESOLVED

2018 – 001 LATE DEPOSIT OF RECEIPTS

Current Status: Not resolved. Repeated in the current year.

II. PRIOR YEAR FINDINGS - RESOLVED

2018 – 002 CONTROLS OF CAPITAL ASSETS

Current Status: Resolved. Not repeated in the current year.

The independent public accountants assisted in the preparation of the financial statements. The accompanying financial statements are the responsibility of the District and are based on information from the District's financial records.

An exit conference was held October 22, 2019 and was attended by the following individuals:

RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3

Luther Light	Member, Board of Education / Audit Committee
Marc Beatty	Member, Audit Committee
Dr. George Bickert	Superintendent; Member, Audit Committee
Clinton Taylor	Director of Finance; Member, Audit Committee

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

The Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption notices or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption notices or other notices to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds;

DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments, with respect to the Bonds, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities depository). In that event, Bond certificates will be printed and delivered to bond holders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriters believe to be reliable, but none of the District, the Financial Advisor or the Underwriters take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "The Bonds" below in this Official Statement.

APPENDIX D

BOND COUNSEL OPINION

February _____, 2020

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

Re: *Ruidoso Municipal School District No. 3, General Obligation School Bonds, Series 2020 (the "Bonds")*

Ladies and Gentlemen:

We have acted as bond counsel to the Ruidoso Municipal School District No. 3 (the "District") in connection with the issuance of its \$3,000,000 General Obligation School Building Bonds, Series 2020 (the "Bonds"), dated their date of issuance, with interest payable on August 1, 2020, and semi-annually thereafter on each February 1 and August 1, until maturity, and being bonds in registered form maturing on August 1 in the years 2021 through 2034, inclusive.

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

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

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

3. Interest on the Bonds is excludable from net income for purposes of the tax imposed on individuals, estate and trusts under the New Mexico

Income Tax Act and for purposes of the tax imposed on corporations under the New Mexico Corporate Income and Franchise Tax Act.

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

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

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

Respectfully submitted,

APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the Ruidoso Municipal School District, Lincoln County, New Mexico (the “District”), in connection with the issuance of the Ruidoso Municipal School District, Lincoln County, New Mexico, General Obligation School Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to a Bond Resolution adopted January 14, 2020 and a Bond Award of the District signed by the Superintendent on February 13, 2020 (the “Bond Resolution”). Pursuant to the Bond Resolution to allow the underwriter 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 “NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM,” “TAX BASE,” “THE DISTRICT – Student Enrollment,” “FINANCES OF THE EDUCATIONAL PROGRAM-State Equalization Guarantee,” “District Budget Process,” “Balance Sheet – General Fund Only” and “Statement of Revenues, Expenditures & Changes in Fund Balances – General Fund Only” in the Official Statement. 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.

(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 February 13, 2020, 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 United States Securities and Exchange Commission.

(j) “State” means the State of New Mexico.

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

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

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the District, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. 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 EMMA or filed with the SEC; provided, however, that if the document so referenced is a “final official statement” within the meaning of the Rule, such final official statement must also be available from the MSRB.

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of holders of the Bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or a similar event with respect to the District, which shall occur as described below;
 - (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (xiv) appointment of a successor or additional trustee, or the change of name of a trustee, if material.
 - (xv) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. For these purposes, any event described in (xii) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above described event notices (xv) and (xvi), 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) a guarantee of (i) or (ii); provided however, that a “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

(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 EMMA, the MSRB or the SEC.

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

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

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

- (a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the District;
- (b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and
- (c) the amendment does not materially impair the interests of the Owners.

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

made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Section 9. 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.

Date: February _____, 2020

BOARD OF EDUCATION
RUIDOSO MUNICIPAL SCHOOL DISTRICT

By: _____
President

[SEAL]

ATTEST:

Secretary

Y:\dox\client\63257\0122\GENERAL\W3613938.DOCX

APPENDIX F

OFFICIAL NOTICE OF BOND SALE/BID FORM/ISSUE PRICE CERTIFICATE

OFFICIAL NOTICE OF BOND SALE

\$3,000,000

RUIDOSO MUNICIPAL SCHOOL DISTRICT NO. 3
COUNTY OF LINCOLN, NEW MEXICO
GENERAL OBLIGATION SCHOOL BONDS,
SERIES 2020

PUBLIC NOTICE IS HEREBY GIVEN that the Ruidoso Municipal School District No. 3 ("District"), Lincoln County, New Mexico, will, until the hour of 9:00 a.m., local time on February 13, 2020, 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 Bonds, Series 2020 (the "Series 2020 Bonds") or (the "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 will not later than 5:30 pm local time, on February 13, 2020 after receipt and opening of such bids, award the Series 2020 Bonds to the best bidder,

Bidders are required to submit a single bid for the series 2020 Bonds.

DESCRIPTION OF ISSUE: \$3,000,000 of the of the Series 2020 Bonds will be issued to erect, remodel, equip and furnish school buildings, to purchase or improve school grounds, to provide matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act or any combination of these purposes. The Series 2020 Bonds will be dated the date of delivery, and will mature in the following amounts:

General Obligation School Bonds, Series 2020

<u>Maturity Dates</u>	<u>Principal*</u>
<u>August 1</u>	
2021	\$ 50,000
2022	200,000
2023	50,000
2024	95,000
2025	135,000
2026	270,000
2027	270,000
2028	270,000
2029	270,000
2030	270,000
2031	270,000
2032	270,000
2033	270,000
2034	310,000

*Subject to Change

The Series 2020 Bonds will be fully registered bonds in the denomination of \$5,000 each, or any integral multiple thereof. Interest will be payable on August 1, 2020 and semiannually thereafter on February 1 and August 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.

SALE OF AND ADJUSTMENT OF THE SERIES 2020 BONDS: The District reserves the right to cancel the receipt of bids on the Series 2020 Bonds and not offer such Series 2020 Bonds for sale by giving notice by the TM3 News Service (or any other news wire service widely recognized and relied upon by the municipal securities industry, collectively defined as "TM3"), or by any other available means, of any new date and/or time of receipt of bids on the Bonds, not later than 8:30 A.M., prevailing Mountain time, on February 13, 2020, the date for submission of bids on the Bonds established by this Notice of Sale; provided, however, any bids subsequently received shall be effective with respect to the Series 2020 Bonds. All such notices provided through TM3, or by any other available means, shall be considered an amendment to this Notice of Sale. No additional notice shall be given if the District determines to accept bids for the Bonds, as set forth above.

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.

ADJUSTMENT OF PRINCIPAL AMOUNT OF THE SERIES 2020 BONDS AFTER BIDS RECEIVED: The District in consultation with its financial and bond advisors reserves the right to adjust the principal amount of the Series 2020 Bonds by increasing or decreasing the principal amount of each maturity and adjusting the aggregate principal amount of the Series 2020 Bonds and the maturity schedule in any amount in the years 2021 through 2034 in \$5,000 increments, no later than four (4) hours following receipt of bids to obtain sufficient funds to prepay and redeem the Bonds; notice of any adjustment will be given promptly to the winning bidder and any adjustment will be done in a "spread neutral" manner.

In the event the District exercises its right to make adjustments to the aggregate principal amount of the Series 2020 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 and 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 DISTRICT: Sealed bids, plainly marked "Bid for Bonds," should be addressed to "Superintendent, the Ruidoso Municipal School District No. 3," and delivered to the Ruidoso Municipal School District No. 1, c/o RBC Capital Markets, LLC, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110 prior to 9:00 a.m., local time, on February 13, 2020, 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 2020 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 2020; 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 2020.

REDEMPTION: The Series 2020 Bonds maturing on and after August 1, 2029, may be redeemed prior to their scheduled maturities on August 1, 2028 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 2020 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 2020 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 2020 Bonds 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 2020 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 2020 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 2020 Bonds, as used herein, means that yield, which if used to compute the present worth, as of the date of the Series 2020 Bonds, of all payments of principal and interest to be made on the Series 2020 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 2020 Bonds, using the interest rates specified in the bid, produces an amount equal to the principal amount of the Series 2020 Bonds plus any premium bid. No adjustment shall be made in such calculation for accrued interest on the Series 2020 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 2020 Bonds to the date of delivery. **The Series 2020 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 2020 Bonds by the Superintendent, 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 "Ruidoso Municipal School District No. 3"), 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 2020 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 2020 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 2020 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 2020 Bonds within forty-five (45) days following the acceptance of the bid or within ten (10) days after the Series 2020 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 2020 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 Superintendent will take action awarding the Series 2020 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 2020 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 2020 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 2020 Bonds will be on or about February 27, 2020.

FURTHER INFORMATION: Information concerning the Series 2020 Bonds, information regarding electronic bidding procedures, bid submission and other matters related to the Series 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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 2020 and Bonds will be furnished to the successful bidder at no cost to the successful bidder. The opinion will state in substance that the issuance of the Series 2020 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 2020 Bonds is excludable from gross income for purposes of federal income tax. The successful bidder (without cost to such bidder) will also be furnished with a complete transcript of the legal proceedings, including a no-litigation certificate stating that to the knowledge of the signer or signers thereof, as of the date of the delivery of the Series 2020 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 2020 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 2020 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 2020 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 2020 Bonds in accordance with the securities laws of the state in which the Series 2020 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 2020 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.

OFFICIAL BID FORM
(February 13, 2020)

Ruidoso Municipal School District No. 3
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 January 14, 2020, relating to the District's \$3,000,000 General Obligation School Bonds, Series 2020 (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 Bonds, Series 2019

<u>Maturity Dates</u> <u>August 1</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2021	\$ 50,000		
2022	200,000		
2023	50,000		
2024	95,000		
2025	135,000		
2026	270,000		
2027	270,000		
2028	270,000		
2029	270,000		
2030	270,000		
2031	270,000		
2032	270,000		
2033	270,000		
2034	310,000		
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 Ruidoso Municipal School District No. 3, 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 Ruidoso Municipal School District No. 3, County of Lincoln, New Mexico, this 13th day of February, 2020.

RUIDOSO MUNICIPAL SCHOOL DISTRICT
NO. 3

Director 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 Ruidoso Municipal School District No. 3 General Obligation School Bonds, Series 2020 (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 February 27, 2020.

(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.