

OFFICIAL STATEMENT DATED SEPTEMBER 10, 2015
GADSDEN INDEPENDENT SCHOOL DISTRICT NO. 16
Counties of Doña Ana and Otero, New Mexico
\$9,500,000 - General Obligation School Bonds, Series 2015

NEW ISSUE

Book-Entry-Only

Moody's Rating: Enhanced Aa1 (A1 Underlying)

PURPOSES Proceeds of the Bonds will be used for the purpose of (i) erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, 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 15 and August 15, commencing February 15, 2016. 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 is the responsibility of DTC. See "The Bonds - Book-Entry-Only System". BOKF, N.A., Albuquerque, New Mexico (or successor) is the Paying Agent/Registrar for the Bonds.

OPTIONAL REDEMPTION

The Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS."

SECURITY

The Bonds are general obligations of the Gadsden Independent School District No. 16, Doña Ana and Otero Counties, New Mexico, payable solely out of general (ad valorem) property taxes that are required to be levied against all taxable property in the District without limitation as to rate or amount.

BOND AND TAX OPINION

The delivery of the Bonds is subject to the opinions of Cuddy & McCarthy, LLP, and McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, as to the validity of the Bonds and the opinion of McCall, Parkhurst & Horton L.L.P., to the effect that interest on the Bonds is excludable from gross income for purposes of federal income taxation, under existing statutes, regulations, published rulings and court decisions and the Bonds will not be specified private activity bonds, as described under "Tax Matters" herein. See "Legal Matters" and "Tax Matters" herein for a discussion of Co-Bond Counsel's opinions, including a description of certain collateral federal tax consequences including the alternative minimum tax consequences for corporations. Delivery of the Bonds is also subject to the delivery of an approving opinion of the Attorney General of the State of New Mexico. The District will designate the Bonds as "qualified tax-exempt obligations."

DELIVERY

When, as and if issued, through DTC's facilities, on or about October 14, 2015.

DATED DATE

Date of initial delivery expected to be October 14, 2015.

DUE DATE

August 15, as shown on the following page:

\$9,500,000 - General Obligation School Bonds, Series 2015

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip #</u> <u>362550</u>	<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip #</u> <u>362550</u>
2016	\$2,675,000	2.000%	0.400%	MT9	2021	\$600,000	2.000%	1.400%	MY8
2017	1,175,000	2.000%	0.700%	MU6	2022	600,000	2.000%	1.600%	MZ5
2018	1,350,000	2.000%	0.950%	MV4	2023	600,000	2.000%	1.750%	NA9
2019	600,000	2.000%	1.050%	MW2	2024	650,000	2.000%	1.900%	c NB7
2020	600,000	2.000%	1.250%	MX0	2025	650,000	2.125%	2.000%	c NC5

c- Priced to 8/15/2023 call.

Raymond James & Associates, Inc.

ISSUER

GADSDEN INDEPENDENT SCHOOL DISTRICT NO. 16
Counties of Doña Ana and Otero, New Mexico
4950 McNutt
Sunland Park, New Mexico 88063
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Anthony, New Mexico 88021
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BOARD OF EDUCATION

President: Maria Saenz
Vice-President: Craig Ford
Secretary: Jennifer Viramontes
Member: Daniel Estupiñan
Member: Daniel Castillo

DISTRICT ADMINISTRATION

Superintendent: Efren Yturralde
Deputy Superintendent & Chief Financial Officer:
Steve Suggs
Director of Finance: Ludym Martinez

FINANCIAL ADVISOR

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(505) 872-5999

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PURCHASER

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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 initial purchaser 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 initial purchaser is not obligated to do this and is free to discontinue it at any time.

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

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

Co-Bond Counsel, Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P., Austin, Texas, were not requested and did not take part in the preparation of the Official Statement nor have these firms undertaken to independently verify any of the information contained herein. Such firms have 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 Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent, in part, upon the sale and delivery of such Bonds and all legal fees will be paid from bond proceeds.

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

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

District

Gadsden Independent School District No. 16
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Sunland Park, NM 88063
P.O. Drawer 70
Anthony, New Mexico 88021
(575) 882-6203
Attn: Steve Suggs

Financial Advisor

RBC Capital Markets, LLC
6301 Uptown Blvd. NE, Suite 110
Albuquerque, NM 87110
(505) 872-5999
Attn: Paul J. Cassidy

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GADSDEN INDEPENDENT SCHOOL DISTRICT NO. 16

Counties of Doña Ana and Otero, New Mexico

\$9,500,000 - General Obligation School Bonds, Series 2015

Introduction:

Thank you for your interest in learning more about the Gadsden Independent School District No. 16, Counties of Doña Ana and Otero, New Mexico (the "District"), \$9,500,000 General Obligation School Bonds, Series 2015. This Official Statement will tell you about the Bonds, their security, the District and the risks involved in an investment in the Bonds.

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

The Issuer

The District is a political subdivision of the State of New Mexico organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 1,300 square miles in the southern Rio Grande River Valley, which is primarily characterized by farmlands and includes the City of Sunland Park and portions of unincorporated Doña Ana and Otero Counties in southern New Mexico. The District's 2015 preliminary assessed valuation is \$912,592,938 and its 2015-16 projected enrollment is 13,583 students. See "THE DISTRICT."

Security

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

Limited Role Of Auditors

Except for a portion of the audited financial statements of the District for the year ended June 30, 2014, contained in Appendix B, this Official Statement presents unaudited financial and statistical information from District records and other sources.

Purpose

Proceeds of the Bonds will be used for the purposes of (i) erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, 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

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

General Terms

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

Registrar and Paying Agent

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

Payment of Principal and Interest; Record Date

Except as otherwise described in "**Book-Entry-Only System**" in Appendix C, 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 last business day of the 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 the Registrar whenever moneys become available for the payment of defaulted interest (the "Special Record Date"). See "**Book-Entry-Only System**" in Appendix C.

Optional Prior Redemption

Bonds maturing on and after August 15, 2024, are subject to prior redemption at the District's option on and after August 15, 2023, in whole or in part at any time. The Bonds will be redeemed in \$5,000 units or multiples of \$5,000. The redemption price will equal principal of Bonds being redeemed plus accrued interest to the redemption date, without any premium. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

Redemption Notices

The Registrar must, by first class mail, give redemption notices to the registered owners of the affected bonds and to various securities depositories and information services not less than 30 days prior to the redemption date. ***Please note that failure to give notice or any defect in such notice will effect the validity of the redemption for Bonds which notice was properly given.*** No transfer of Bonds called for redemption shall be made within 45 days of the date of redemption.

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

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

Transfers and Exchanges

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

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required to transfer or exchange any Bond (i) during the period commencing at the close of business on the Record Date and ending at the opening of business on the next interest payment date; and (ii) within 45 days of the date fixed for redemption; provided such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

Limited Book-Entry Responsibilities

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

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

The District and the Financial Advisor cannot and do not give any assurances that DTC will distribute payments to DTC Participants or that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominees as the holder or any redemption notices or other notices to the beneficial 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.

Defeasance

General. The bond resolution provides for the defeasance of the Bonds and the termination of the pledge of taxes and revenues and all other general defeasance covenants in the bond resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the bond resolution when the payment of all principal and

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

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

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

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

Security and Remedies

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

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

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

Limitations of Remedies

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

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the District in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable

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

New Mexico School District Enhancement Program

The New Mexico legislature amended NMSA 1978 § 22-18-1 et. seq. in the first session of 2003 by adding Section 22a-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 districts with principal and interest payments that fall in the latter part of the fiscal year or that are significant in amount relative to the district's total annual SEG distribution may not have sufficient undistributed SEG payments to cover debt service payments in the event of a default.

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

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

Debt and Other Financial Obligations

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

The preliminary valuation of taxable property within the District is \$912,592,938 for tax year 2015. Therefore, the maximum general obligation debt limitation of 6% may not exceed \$54,755,576.

After the Bonds are issued, the ratio of total outstanding general obligation debt of the District to the 2015 preliminary assessed valuation will be no greater than 5.12% as summarized:

2015 Preliminary Assessed Valuation	\$912,592,938
2015 Preliminary Estimated Actual Valuation	\$3,009,129,366 ⁽¹⁾
Bonded Debt:	
Outstanding Bonds	\$36,350,000
General Obligation School Bonds, Series 2015	9,500,000
Ed Technology General Obligation COPs (Taxable), Series 2015	2,000,000 ⁽²⁾
Less Debt Service Fund Balance	<u>(1,164,167)</u> ⁽³⁾
NET DEBT	\$46,685,833
Ratio of Estimated Net Debt to 2015 Preliminary Assessed Valuation	5.12%
Ratio of Estimated Net Debt to 2015 Preliminary Estimated Actual Valuation	1.55%
Per Capita Net Bonded Debt	\$622
Estimated Population	75,000

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

(2) COPs will be privately placed with the NM State Treasurer's Office on September 10, 2015.

(3) The cash balance for the Bonds debt service fund as of August 19, 2015 was \$1,380,571. The amount properly attributable to principal reduction is 84.3%. The cash balance for the Education Technology COPs debt service fund as of August 19, 2015 was \$155,284. The amount properly attributable to principal reduction is 98%.

Selected Debt Ratios

	<u>2015 Tax Year</u>
2015 Preliminary Assessed Valuation	\$912,592,938
2015 Preliminary Estimated Actual Valuation ⁽¹⁾	\$3,009,129,366
District Net General Obligation Debt	\$46,685,833
Estimated Direct & Overlapping General Obligation Debt	\$169,375,882
District Net General Obligation Debt as a Percentage of	
Assessed Valuation	5.12%
Estimated Actual Valuation	1.55%
Estimated Direct and Overlapping General Obligation Debt as a Percentage of	
Assessed Valuation	18.56%
Estimated Actual Valuation	5.63%
Estimated Population	75,000
District Net General Obligation Debt Per Capita	\$622.48
Estimated Direct and Overlapping General Obligation Debt Per Capita	\$2,258.35

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

Outstanding Debt

The District has never defaulted in the payment of any of its debt or other obligations. Listed below is the District's total outstanding general obligation debt including the proposed Bonds and COPs.

<u>Series</u>	<u>Original Amount</u> <u>Issued</u>	<u>Final</u> <u>Maturity</u>	<u>Outstanding</u> <u>Debt</u>
2008A	\$7,000,000	08/15/2018	\$3,350,000
2009	9,075,000	08/15/2019	4,700,000
2010	7,250,000	08/15/2020	3,000,000
2011A	8,250,000	08/15/2021	3,900,000
2011B	12,300,000	08/15/2021	3,800,000
2012	12,180,000	08/15/2022	4,000,000
2013	9,500,000	08/15/2023	7,450,000
2014	9,500,000	08/15/2024	6,150,000
2015 COPs	2,000,000	08/15/2016	2,000,000
2015	9,500,000	08/15/2025	9,500,000
	<u>\$86,555,000</u>		<u>\$47,850,000</u>

Debt Service Requirements to Maturity

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

Tax Year Ending	Current Requirements			Series 2015		Total	Total	Total
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Requirements
2016	\$6,925,000	\$1,054,040	\$7,979,040	\$2,675,000	159,540	\$9,600,000	\$1,213,580	\$10,813,580
2017	7,200,000	848,992	8,048,992	1,175,000	137,313	8,375,000	986,305	9,361,305
2018	6,050,000	620,564	6,670,564	1,350,000	113,813	7,400,000	734,377	8,134,377
2019	4,625,000	441,866	5,066,866	600,000	86,813	5,225,000	528,679	5,753,679
2020	3,525,000	307,091	3,832,091	600,000	74,813	4,125,000	381,904	4,506,904
2021	2,925,000	214,625	3,139,625	600,000	62,813	3,525,000	277,438	3,802,438
2022	2,375,000	131,875	2,506,875	600,000	50,813	2,975,000	182,688	3,157,688
2023	1,825,000	68,625	1,893,625	600,000	38,813	2,425,000	107,438	2,532,438
2024	900,000	20,250	920,250	650,000	26,813	1,550,000	47,063	1,597,063
2025	-	-	-	650,000	13,813	650,000	13,813	663,813
TOTAL	\$36,350,000	\$3,707,928	\$40,057,928	\$9,500,000	765,353	\$45,850,000	\$4,473,281	\$50,323,281

Tax Year Ending	Current COPs Requirements			Series 2015 - COPs		Total COPs Requirements		
	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2016	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,000,000</u>	<u>\$10,033</u>	<u>\$2,000,000</u>	<u>\$10,033</u>	<u>\$2,010,033</u>
TOTAL	\$0	\$0	\$0	\$2,000,000	\$10,033	\$2,000,000	\$10,033	\$2,010,033

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 the outstanding debt of the District, the calculation takes into account debt attributable to other taxing entities that are the responsibility of taxpayers within the boundaries of the District. Revenue bonds are not payable from property taxes.

<u>Municipality</u>	<u>2015 Preliminary Valuation</u>	<u>G/O Debt Outstanding</u>	<u>Percent Applicable</u>	<u>Amount</u>
State of New Mexico	\$58,412,964,620	\$389,270,000	1.56%	\$6,081,613
Doña Ana County	4,088,963,196	6,625,000	448.06%	29,683,970
Doña Ana Branch CC	4,143,157,419	18,890,000	454.00%	85,760,299
Otero County	54,194,223 ⁽¹⁾	0	5.94%	0
City of Sunland Park	227,904,655	0	100.00%	0
Gadsden ISD #16	912,592,938	47,850,000	100.00%	<u>47,850,000</u>
Total Direct & Overlapping Debt				<u>\$169,375,882</u>

(1) Portion of Otero County in the District.

Ratio of Estimated Direct & Overlapping Debt to A.V.:	18.56%
Ratio of Estimated Direct & Overlapping Debt to Estimated A.V.:	5.63%
Per Capita Direct & Overlapping Debt:	\$2,258.35
Est. Population:	75,000

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. This means the assessment ratio is 33-1/3%. After deduction of certain personal exemptions, the District's 2015 preliminary assessed valuation is \$912,592,938. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor.

The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The analysis of assessed valuation for tax year 2015 and the previous four years follows:

	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<i>Assessments</i>					
Value of Land	Information not yet available.	\$227,403,931	\$218,172,914	\$227,678,670	\$206,205,787
Improvements		451,901,431	438,337,173	423,379,565	414,005,423
Personal Property		25,958,322	27,542,315	24,858,049	24,929,899
Mobile Homes		38,378,154	37,465,062	36,746,949	35,554,238
Livestock		<u>17,721,571</u>	<u>14,865,519</u>	<u>15,717,026</u>	<u>13,684,036</u>
Assessor's Taxable Value			\$761,363,409	\$736,382,983	\$728,380,259
<i>Exemptions</i>					
Head of Family		\$14,691,305	\$14,530,178	\$14,459,679	\$14,548,025
Veterans		8,295,085	4,252,673	4,293,150	4,386,499
Other		<u>67,463,794</u>	<u>47,973,411</u>	<u>45,429,564</u>	<u>44,321,197</u>
Total		\$90,450,184	\$66,756,262	\$64,182,393	\$63,255,721
Assessor's Net Taxable Value	\$724,675,162	\$670,913,225	\$669,626,721	\$664,197,866	\$631,123,662
Centrally Assessed	<u>\$187,917,776</u>	<u>206,588,945</u>	<u>157,372,074</u>	<u>136,088,869</u>	<u>125,995,122</u>
Total Net Taxable Value	\$912,592,938	\$877,502,170	\$826,998,795	\$800,286,735	\$757,118,784
	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Residential	\$488,012,659	\$461,236,817	\$444,261,425	\$429,846,775	\$418,843,096
Non-Residential	<u>\$424,580,279</u>	<u>416,265,353</u>	<u>382,737,370</u>	<u>370,439,960</u>	<u>338,275,688</u>
Total	\$912,592,938	\$877,502,170	\$826,998,795	\$800,286,735	\$757,118,784
	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Doña Ana County	\$858,398,715	\$823,792,464	\$774,808,524	\$759,149,560	\$722,363,116
Otero County	<u>54,194,223</u>	<u>53,709,706</u>	<u>52,190,271</u>	<u>41,137,175</u>	<u>34,755,668</u>
Total	\$912,592,938	\$877,502,170	\$826,998,795	\$800,286,735	\$757,118,784

* Preliminary.

Source: New Mexico Taxation & Revenue Department.

History of Assessed Valuation

The following is a ten-year history of assessed valuation for the District compared with the City of Sunland Park and Doña Ana County.

Tax Year	Gadsden Schools	City of Sunland Park	Doña Ana County
2015*	\$912,592,938	\$227,904,655	\$4,088,963,196
2014	877,502,170	215,056,885	3,975,407,290
2013	826,998,795	187,271,318	3,891,775,511
2012	800,286,735	185,746,079	3,845,596,961
2011	757,118,784	155,274,061	3,743,500,833
2010	748,807,082	154,138,114	3,778,768,103
2009	708,536,282	150,051,530	3,652,468,273
2008	680,320,243	141,374,977	3,457,180,390
2007	629,327,302	127,284,695	3,150,260,440
2006	578,830,496	115,735,734	2,739,945,874

* Preliminary.

Source: Doña Ana County Assessor's Office.

Major Taxpayers

The following is a list of the ten largest taxpayers in the District, along with the 2014 assessed valuation for each. This table is useful in assessing the concentration risk of the tax base. The ten largest taxpayers' assessed valuation is 21.17% of the total 2014 preliminary assessed valuation to the District.

2014 Major Taxpayers

<u>Taxpayer</u>	<u>Business</u>	<u>Assessed Valuation</u>	<u>% of 2014 AV</u>
El Paso Electric Co.	Electric Utility	60,003,507	6.91%
Public Service Co. of NM	Electric Generation	\$54,442,092	6.27%
Union Pacific Railroad Co.	Railroad	27,218,416	3.14%
El Paso Natural Gas Co.	Natural Gas Utility	10,177,666	1.17%
My Way Holdings	Race Track	9,119,659	1.05%
Desert Land Dairy	Dairy Farm	5,536,678	0.64%
FXI, Inc.	Foam Manufacturer	4,504,467	0.52%
Prepared Foods	Manufacturer	4,353,615	0.50%
Dominguez Farms	Dairy Farm	4,337,166	0.50%
Indel Food Products	Manufacturer	<u>4,012,067</u>	<u>0.46%</u>
Total		\$183,705,332	21.17%

Source: Doña Ana County Assessor's Office

Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question. The following table summarizes the tax situation on residential property for the 2014 tax year and the previous four years. The District expects no change in the level of its taxes in the foreseeable future but is unable to predict what overlapping entities might do. A high level of taxation may impact the District's ability to repay bonds.

Residential Tax Rates - per \$1,000 Assessed Valuation Within 20 Mill Limit for General Purposes

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Dona Ana County	9.170	9.103	8.844	8.586	8.236
City of Sunland Park	6.754	6.828	6.788	2.868	2.821
Gadsden Schools	<u>0.320</u>	<u>0.322</u>	<u>0.317</u>	<u>0.308</u>	<u>0.298</u>
Total	\$16.244	\$16.253	\$15.949	\$11.762	\$11.355

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

State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.362	\$1.530
Dona Ana County	0.085	0.099	0.145	0.150	0.152
Dona Ana Branch College	2.000	2.000	2.000	2.000	1.977
City of Sunland Park		-	-	-	-
Gadsden Schools	<u>16.306</u>	<u>16.326</u>	<u>16.331</u>	<u>16.338</u>	<u>16.352</u>
Total	\$19.751	\$19.785	\$19.836	\$19.850	\$20.011

Total Levy

State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.362	\$1.530
Dona Ana County	9.255	9.202	8.989	8.736	8.388
Dona Ana Branch College	2.000	2.000	2.000	2.000	1.977
City of Sunland Park	6.754	6.828	6.788	2.868	2.821
Gadsden Schools	<u>16.626</u>	<u>16.648</u>	<u>16.648</u>	<u>16.646</u>	<u>16.650</u>
Total Residential in City of Sunland Park	\$35.995	\$36.038	\$35.785	\$31.612	\$31.366
Total Non-Residential in City of Sunland Park	\$39.759	\$39.785	\$39.365	\$35.975	\$36.159
Total Residential in Otero County	\$25.932	\$26.056	\$26.092	\$27.091	\$26.309
Total Non-Residential in Otero County	\$31.024	\$31.036	\$31.041	\$32.050	\$30.860

Source: State of New Mexico, Department of Finance & Administration.

School Tax Rates

The following table shows the historical school tax levies on property within the District since the 2005 tax year (2005-06 fiscal year). The Two Mill Levy is renewed by an election within the District every six years, most recently in February, 2012.

This table breaks down the District's total residential and non-residential tax rate shown in the previous tables.

Tax Year	Operational		Two Mill Levy		Debt Service		Total Debt Service	Total	
	Resid.	Non-Resid.	Resid.	Non-Resid.	ETN	Bonds		Resid.	Non-Resid.
2015*	\$0.320	\$0.500	\$2.000	\$2.000	\$4.579	\$9.732	\$14.311	\$16.631	\$16.811
2014	0.320	0.500	1.992	2.000	2.238	12.076	14.314	16.626	16.814
2013	0.322	0.500	2.000	2.000	1.926	12.400	14.326	16.648	16.826
2012	0.317	0.500	2.000	2.000	1.756	12.575	14.331	16.648	16.831
2011	0.308	0.500	2.000	2.000	3.858	10.480	14.338	16.646	16.838
2010	0.298	0.500	2.000	2.000	4.044	10.308	14.352	16.650	16.852
2009	0.276	0.500	2.000	2.000	3.676	10.676	14.352	16.628	16.852
2008	0.268	0.500	2.000	2.000	2.587	11.752	14.339	16.607	16.839
2007	0.267	0.500	2.000	2.000	-	14.345	14.345	16.612	16.845
2006	0.265	0.500	2.000	2.000	0.827	13.515	14.342	16.607	16.842
2005	0.256	0.500	1.936	2.000	1.198	13.150	14.348	16.540	16.848

Source: New Mexico Public Education Department.

Yield Control Limitations

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

Developments Limiting Residential Property Tax Increases

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

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

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

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

1. To property that is being valued for the first time;
2. To physical improvements made to the property in the preceding year;
3. When the property is transferred to a person other than a spouse, or a child who occupies the property as his principal residence and who qualifies for the head of household exemption on the property under the Property Tax Code;
4. When a change occurs in the zoning or use of the property; and
5. To property that is subject to the valuation limitations under NMSA 1978, Section 7-36-21.3.
6. On March 28, 2012, the New Mexico Court of Appeals upheld the constitutionality of a law capping residential valuation increases until a home changes ownership. This decision was appealed to the New Mexico Supreme Court. The Supreme Court affirmed this decision on June 30, 2014. The New Mexico Legislature has brought up the issue of the disparity in valuations in the past several years, but has not enacted 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 within the boundaries of the District.

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

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

Tax Collections

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

Property Tax Collections for Doña Ana County					
Tax Year	Charged to Treasurer	Net Taxes Current Tax Collections ⁽¹⁾	Collections as a % of Net Levied	Current Delinquent Tax Collections ⁽²⁾	Current/ Delinquent Collections as a % of Net Levied
2014	\$117,086,783	\$111,084,801	94.87%	\$111,084,801	94.87%
2013	114,294,999	109,475,574	95.78%	109,475,574	95.78%
2012	111,473,300	106,152,876	95.23%	109,183,892	97.95%
2011	107,388,945	103,081,166	95.99%	106,664,561	99.33%
2010	107,477,075	102,273,127	95.16%	106,968,896	99.53%

(1) Collections through June 30 of each year.

(2) As of June 2015.

Source: Doña Ana County Treasurer's Office.

Property Tax Collections for Otero County					
Tax Year	Net Taxes Charged to Treasurer	Current Tax Collections ⁽¹⁾	Current Collections as a percent of Net Levied	Current/ Delinquent Tax Collections ⁽²⁾	Current/ Delinquent Collections as a % of Net Levied
2014	\$25,639,315	\$23,481,639	91.58%	\$23,481,639	91.58%
2013	24,552,611	23,083,217	94.02%	23,083,217	94.02%
2012	23,672,943	22,014,273	92.99%	22,978,813	97.07%
2011	22,776,816	21,616,416	94.91%	22,639,222	99.40%
2010	21,972,573	20,544,334	93.50%	21,887,864	99.61%

(1) Collections through June 30 of each year.

(2) As of June 2015.

Source: Otero County Treasurer's Office.

Interest on Delinquent Taxes

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

Penalty for Delinquent Taxes

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

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

Remedies Available for Non-Payment of Taxes

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

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

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

The District

The District is a political subdivision of the State organized for the purpose of operating and maintaining an educational program for school-age children residing within its boundaries. The District was founded in 1947. The area has a rich and colorful history, ranging from 16th Century Spanish explorations to the landing of the space shuttle. The District draws a substantial amount of its enrollment from small communities in the southern portion of Doña Ana County.

The District lies in the southern Rio Grande River Valley, which is characterized by fertile farmlands that encompass more than 1,300 square miles. The State of Texas borders the District on the eastern and southern tip with the Republic of Mexico adjoining on the south.

The economic base of Gadsden is primarily agriculture and light industry; however, it is strongly influenced by El Paso, Texas, and White Sands Missile Range. Located within 20 miles of Anthony are New Mexico State University and The University of Texas at El Paso.

The District is the 4th largest school district in the State. The 2015-16 projected enrollment is 13,583. There are 15 elementary schools, three mid-schools, three senior high schools, one early college high school, one alternative school and one charter school within the District. The District's educational program also includes vocational, technical and occupational training.

School District Powers

The District's powers are subject to regulations adopted by the New Mexico Public Education Department ("PED"). Pursuant to an amendment to Article XII, Section 6 of the New Mexico Constitution, adopted at a special election held September 23, 2003, the Secretary of Education (the "Secretary") is the governing authority and has control, management, and direction of all public schools pursuant to power provided by law. The Secretary further exercises supervision and authority over the PED. Generally, the powers of the Secretary and the PED include determining policy regarding operations of all public schools, designating courses of instruction, adopting regulations, determining qualifications for teachers, counselors and their assistants, and prescribing minimum educational standards. The Secretary may order the creation or consolidation of school districts.

Management

The District Board of Education (the "Board"), subject to regulations of the Secretary, has the following powers or duties: 1) subject to the rules of the PED, develop educational policies for the school; 2) employ a superintendent of schools and fix the superintendent's salary; 3) review and approve the annual school budget; 4) acquire, lease and dispose of property; 5) have the capacity to sue and be sued; 6) acquire property by eminent domain; 7) issue general obligation bonds of the school district; 8) provide for the repair of and maintain all school property; 9) subpoena witnesses and documents in connection with a hearing concerning powers of the school board; 10) except for expenditures for salaries, contract for expenditure of money; 11) adopt rules pertaining to the administration of all powers or duties of the school board; 12) accept or reject any charitable gift, grant, devise or bequest; 13) offer and pay rewards for information leading to the arrest and conviction of offenders in case of theft, defacement or destruction of school property; and 14) give prior approval for any educational program in a public school that is to be conducted, sponsored, carried on or caused to be carried on by a private organization. Members serve without compensation for four-year terms of office in non-partisan elections held every two years on the first Tuesday in February. The current District Board Members are:

Maria Saenz, President
term expires March 1, 2019

Daniel Castillo, Member
term expires March 1, 2019

Craig Ford, Vice President
term expires March 1, 2017

Daniel Estupiñan, Member
term expires March 1, 2019

Jennifer Viramontes, Secretary
term expires March 1, 2017

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

Efren Yturralde, Superintendent, has been employed with the District since 2002 and assumed the position of Superintendent in August 2011. He has held the positions of Principal and Deputy Superintendent at the District. Mr. Yturralde has worked many years as an educator in El Paso, Texas. He received his Masters of Education from Sul Ross University and his Bachelor of Science from the University of Texas at El Paso.

Steve Suggs, Deputy Superintendent & Chief Financial Officer, assumed his position on July 8, 2008. Mr. Suggs was previously employed by the Las Cruces Public Schools for approximately 25 years where he served as Comptroller and most recently held the position as Controller. He is a Certified Public Accountant and holds a Bachelor of Accountancy from New Mexico State University.

Insurance

The District is a member of the New Mexico State Public Schools Insurance Authority (the "Insurance Authority"), which was established to provide a comprehensive insurance program for school districts, board members and retirees, and public school employees and retirees with the State. The Insurance Authority provides risk related insurance to the District such as worker'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. The Insurance Authority also provides health, dental and vision insurance to the District.

Intergovernmental Agreements

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

School Property

In addition to the school buildings and their contents, the District owns the land upon which school buildings and facilities are located, which includes the District Administration Building, a Maintenance Shop and Custodial Center, a Curriculum and Instruction Center, an instructional materials warehouse and numerous vehicles. The District contracts buses, which are used only to transport students to and from school and school activity events. The appraised value of all District facilities and equipment is estimated to be approximately \$100 million.

Enrollment

The District's 2015-16 projected enrollment is expected to remain flat over 2014-15. Set forth below is a five year history of the District's enrollment, including special education and bilingual students. For a discussion of the relationship between student enrollment and amounts of financial support provided by the State for public schools, see "FINANCES OF THE DISTRICT".

	2011-12	2012-13	2013-14	2014-15	2015-16*
Elementary School	7,802	7,846	7,837	7,636	7,634
Middle School	2,100	2,100	2,028	1,941	2,003
High School	<u>4,050</u>	<u>3,952</u>	<u>4,013</u>	<u>4,004</u>	<u>3,946</u>
Total	13,952	13,898	13,878	13,581	13,583

* Projected.

Enrollment is based on 40th day figures.

Source: New Mexico Public Education Department and the District.

Finances of the District

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

Sources of Revenues for General Fund

The General Fund is used to account for resources of the operational fund, student activity funds and other resources not accounted for in another fund. The sources of revenue for the District's General Fund are:

Local Revenues - Local revenues are a minor source of revenue to the District made up, 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 2013-14, the District received \$780,044 from local sources.

Federal Revenues - Another minor source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs and P.L. 874 federal impact moneys paid to the District in lieu of taxes on federal land located in the District. In fiscal year 2013-14, the District received \$595,852 in federal revenues for its General Fund.

State Revenues - The District's largest source of annual revenue is derived from the State Equalization Guarantee distribution described below. During fiscal year 2013-14, the District received \$102,292,692 from state sources. Such payments represented approximately 98.7% of actual fiscal year 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, in recent years 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.

In addition, the equalization funding for a district will be based on previous years' enrollment rather than current year enrollment.

SEG payments for the budgeted current and previous four fiscal years are as follows:

<u>Year</u>	<u>Program Unit Factor</u>	<u>Program Units</u>	<u>Amount</u>
2015-2016*	\$4,027.75	25,043.85	\$100,603,562
2014-2015	4,007.75	24,936.99	99,687,556
2013-2014	3,817.55	25,342.24	96,495,137
2012-2013	3,673.54	25,931.96	95,036,398
2011-2012	3,598.87	26,019.94	93,424,408

* Estimated.

Source: New Mexico Public Education Department & the District.

The PED receives Federal mineral-leasing funds from which it makes annual allocations to the District for purchasing textbooks. In 2013-14, the District received \$810,831 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 2013-14, the District received \$4,986,724 for transportation purposes.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2014 are as follows:

- The assets of the District exceeded its liabilities at the end of the fiscal year by \$312,052,427 (net assets). Of this amount, \$233,142,015 is invested in capital assets, \$43,065,505 is restricted for capital projects and debt service purposes, \$14,308,386 is restricted for special revenue fund purposes and \$21,536,521 is unrestricted and may be used to meet the District's ongoing obligations.

- The District's total net position increased by \$40,695,594 which is reflected in the District's Statement of Activities.
- The District's liabilities increased by \$5,928,572 in fiscal year 2014. This increase is due to an increase in accounts payable, deferred revenue, accrued compensated absences, unamortized bond premium and the current portion of the bonds payable with an offsetting decrease in accrued liabilities, accrued interest and the non-current portion of bonds payable.
- At June 30, 2014, the fund balance for the general fund was \$22,992,357, which reflects an increase of \$6,348,693. General fund expenditures were reduced through careful budget management throughout the fiscal year which contributed to the increase in the fund balance. The District received additional State funds in fiscal year 2014, compared to the prior year which allowed the district to increase the fund balance as well. These two factors resulted in excess revenues over expenditures of \$3,930,565 before operating transfers, which is reflected in the assigned and unassigned fund balance.
- The District's general obligation bond debt balance is \$48,335,000, which reflects a \$2,105,000 increase due to the net offset of issuing new debt and retiring old bonds. Voters authorized new bonds in the amount of \$38,000,000 in an election in February 2014, which allows the District to issue this debt over a four year period beginning with the fiscal year ending June 30, 2015.

Statement of Net Position

Below is the presentation of the GASB-34 Statement of Net Position. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Chief Financial Officer. A portion of the independent audit report for the fiscal year ending June 30, 2014 is attached as Appendix B.

STATEMENT OF NET POSITION					
Fiscal Year Ending June 30	2010	2011	2012	2013	2014
	Governmental Activities	Governmental Activities	Governmental Activities	Governmental Activities	Governmental Activities
Assets					
Cash and cash equivalents	\$20,889,994	\$17,408,915	\$20,011,365	\$30,684,686	\$37,034,695
Investments	-	-	-	-	-
Receivables	3,714,526	7,128,398	10,147,952	9,035,862	8,593,247
Inventories	697,866	617,434	686,317	868,797	733,628
Bond underwriter discounts	-	-	-	-	149,800
Restricted cash	28,044,550	35,645,805	40,556,993	47,809,241	42,762,204
Capital Assets:					
Land	2,559,939	2,559,939	2,559,939	2,559,939	2,559,939
Land improvements	11,167,663	11,612,353	12,088,269	13,430,493	14,199,676
Buildings, net	164,582,745	174,101,919	177,798,644	179,054,792	349,906,606
Improvements other than buildings, net	20,618,875	20,885,485	20,388,126	20,975,094	21,788,536
Machinery and equipment, net	-	-	-	-	-
Construction in progress	3,579,820	3,881,568	5,214,648	8,284,943	12,092,033
Less: accumulated depreciation	<u>(79,487,838)</u>	<u>(87,430,360)</u>	<u>(94,403,095)</u>	<u>(101,713,322)</u>	<u>(117,817,104)</u>
Total Assets	<u>\$176,668,106</u>	<u>\$186,701,493</u>	<u>\$195,428,164</u>	<u>\$210,990,525</u>	<u>\$372,003,260</u>
Liabilities					
Current Liabilities					
Accounts payable	\$918,895	\$1,286,522	\$1,825,839	\$1,656,365	\$3,461,143
Accrued compensated absences	277,279	253,258	262,855	393,115	452,262
Accrued payroll liabilities	4,336,839	4,397,158	4,267,454	4,377,725	5,037,798
Deferred revenue	426,820	104,513	141,597	6,081	5,613
Accrued interest	463,414	477,356	380,572	441,707	413,039
Current portion of long-term debt	<u>7,845,000</u>	<u>8,140,000</u>	<u>9,670,000</u>	<u>11,145,000</u>	<u>10,880,000</u>
Total Current Liabilities	<u>\$14,268,247</u>	<u>\$14,658,807</u>	<u>\$16,548,317</u>	<u>\$18,019,993</u>	<u>\$20,249,855</u>
Noncurrent Liabilities					
Non-current portion of long-term obligations	\$33,361,275	\$34,125,663	\$34,616,330	\$35,085,000	\$37,455,000
Bond Underwriter Premiums	-	-	-	-	\$1,402,471
Accrued compensated absences	<u>646,984</u>	<u>590,934</u>	<u>613,328</u>	<u>917,268</u>	<u>843,507</u>
Total Noncurrent liabilities	<u>\$34,008,259</u>	<u>\$34,716,597</u>	<u>\$35,229,658</u>	<u>\$36,002,268</u>	<u>\$39,700,978</u>
Total Liabilities	<u>\$48,276,506</u>	<u>\$49,375,404</u>	<u>\$51,777,975</u>	<u>\$54,022,261</u>	<u>\$59,950,833</u>
Net Assets					
Invested in capital assets, net of related debt	\$82,591,204	\$83,609,278	\$79,739,207	\$76,300,804	\$233,142,015
Restricted for:					
Debt service	10,997,227	12,554,632	14,150,949	14,740,328	14,226,296
Capital projects	27,310,787	25,874,273	27,779,455	35,852,668	28,839,209
Special revenue	-	8,612,749	10,282,385	12,110,056	14,308,386
Unrestricted	<u>7,492,382</u>	<u>6,675,157</u>	<u>11,698,193</u>	<u>17,964,408</u>	<u>21,536,521</u>
Total Net Assets	<u>\$128,391,600</u>	<u>\$137,326,089</u>	<u>\$143,650,189</u>	<u>\$156,968,264</u>	<u>\$312,052,427</u>

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for year ended June 30, 2014 is attached in Appendix B.

Statement of Activities

Listed below is the GASB 34 Statement of Activities.

STATEMENT OF ACTIVITIES					
<i>Fiscal Year Ending June 30</i>	2010	2011	2012	2013	2014
	Governmental <u>Activities</u>	Governmental <u>Activities</u>	Governmental <u>Activities</u>	Governmental <u>Activities</u>	Governmental <u>Activities</u>
Expenses					
Direct Instruction	(60,930,892)	(58,602,895)	(63,911,641)	(63,678,199)	(67,170,926)
Student Support Services	(8,851,189)	(7,147,214)	(5,904,774)	(7,385,691)	(7,822,450)
Instructional Support Services	(5,032,740)	(5,126,236)	(4,455,211)	(3,889,379)	(5,091,309)
General Administration Support Services	(1,732,381)	(1,187,674)	(1,105,684)	(1,028,564)	(1,129,810)
School Administration Support Services	(6,239,534)	(6,540,370)	(6,271,389)	(6,564,353)	(6,915,159)
Other Support Services	(11,740)	(42,697)	(156,882)	(94,099)	(179,954)
Central Services	(2,454,239)	(2,530,624)	(2,453,361)	(2,587,908)	(2,526,523)
Operation & Maintenance of Plan	(6,103,186)	(11,004,856)	(14,436,301)	(11,396,838)	23,230,270
Student Transportation	(987,889)	(656,163)	(530,548)	(484,828)	(664,524)
Food Services	496,652	74,491	822,166	1,306,955	1,359,609
Community Services	(219,497)	(94,096)	(96,389)	(221,240)	(208,285)
Interest on Long-Term Debt	(1,387,353)	(1,355,464)	(1,183,297)	(922,766)	(1,082,519)
Depreciation - unallocated	(948,536)	(1,377,601)	(1,062,615)	(1,195,287)	(2,716,161)
Total governmental activities	<u>(\$94,402,524)</u>	<u>(\$95,591,399)</u>	<u>(\$100,745,926)</u>	<u>(\$98,142,197)</u>	<u>(\$70,917,741)</u>
Revenues					
Property Taxes					
Levied for General Purposes	261,302	294,666	294,873	314,982	333,368
Levied for Debt Service	9,995,763	10,849,488	10,901,573	11,324,846	11,799,717
Levied for Capital Projects	1,393,118	1,511,948	1,245,520	1,565,120	1,638,344
State Equalization Guarantee	87,512,044	91,066,244	93,417,718	95,036,398	96,495,137
Investment Earnings	77,493	42,478	49,779	41,985	41,080
Miscellaneous	1,420,715	1,770,999	1,354,399	2,608,048	1,317,346
Gain/Loss on Disposal of Assets	3,484	(173,070)	(168,428)	-	-
Return of funds to PED	-	(836,865)	(25,408)	(188,431)	(11,657)
Subtotal, general revenues	<u>100,663,919</u>	<u>104,525,888</u>	<u>107,070,026</u>	<u>110,702,948</u>	<u>111,613,335</u>
Changes in net assets	<u>6,261,395</u>	<u>8,934,489</u>	<u>6,324,100</u>	<u>12,560,751</u>	<u>40,695,594</u>
Net assets, beginning	117,055,253	128,391,600	137,326,089	143,650,189	156,968,264
Prior Period Adjustment	-	-	-	757,324	114,388,569
Nets assets, ending	<u>\$123,316,648</u>	<u>\$137,326,089</u>	<u>\$143,650,189</u>	<u>\$156,968,264</u>	<u>\$312,052,427</u>

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for year ended June 30, 2014 is attached in Appendix B.

Balance Sheet

The following is a history of the District's General Fund Balance Sheet. See Appendix B for further information.

BALANCE SHEET - GENERAL FUND ⁽¹⁾					
<i>Fiscal Year Ending June 30</i>	2010	2011	2012	2013	2014
Assets					
Cash & cash equivalents	\$3,296,350	\$8,355,162	\$9,567,121	\$18,652,161	\$23,371,990
Receivables:					
Taxes	48,797	53,836	50,807	132,992	49,797
Due from other governments	21,885	22,627	-	120,114	-
Interfund receivables	1,322,755	2,876,434	6,747,297	4,234,854	3,949,536
Other	-	-	-	-	-
Inventory	<u>456,643</u>	<u>397,945</u>	<u>467,404</u>	<u>469,776</u>	<u>448,686</u>
Total Assets	\$5,146,430	\$11,706,004	\$16,832,629	\$23,609,897	\$27,820,009
Liabilities					
Accounts payable	\$140,320	\$202,303	\$314,148	\$290,588	\$301,176
Accrued payroll liabilities	3,628,072	3,482,960	3,553,521	3,657,865	4,239,223
Deposits held for others	16,403	24,036	10,012	6,081	5,613
Interfund payables	-	-	-	-	-
Deferred revenue	<u>39,744</u>	<u>50,097</u>	<u>45,912</u>	<u>47,258</u>	<u>-</u>
Total Liabilities	\$3,824,539	\$3,759,396	\$3,923,593	\$4,001,792	\$4,546,012
Fund balances:					
Fund balances:					
Nonspendable	\$456,643	\$397,945	\$467,404	\$469,776	\$448,686
Restricted	-	68,856	102,630	546,313	104,138
Committed	-	-	-	-	-
Assigned	-	6,941,028	7,430,455	7,808,195	11,413,740
Unassigned	<u>865,248</u>	<u>538,779</u>	<u>4,908,547</u>	<u>10,783,821</u>	<u>11,267,021</u>
Total Fund Balance	\$1,321,891	\$7,946,608	\$12,909,036	\$19,608,105	\$23,233,585
Total Liabilities and Fund Balance	\$5,146,430	\$11,706,004	\$16,832,629	\$23,609,897	\$27,779,597

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

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for year ended June 30, 2014 is attached in Appendix B.

Statement of Revenues, Expenditures & Changes in Fund Balances

The following is a history of the District's General Fund Revenues, Expenditures & Changes in Fund Balances. See Appendix B for further information.

Statement of Revenues, Expenditures & Changes in Fund Balances - General Fund ⁽¹⁾					
Fiscal Years Ending June 30	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues					
Local Sources	\$631,722	\$1,177,035	\$931,287	\$914,926	\$780,044
State Sources	96,596,554	96,889,141	99,003,847	101,929,823	102,292,692
Federal Sources	<u>305,621</u>	<u>372,786</u>	<u>614,850</u>	<u>596,420</u>	<u>595,852</u>
Total Revenue	\$97,533,897	\$98,438,962	\$100,549,984	\$103,441,169	\$103,668,588
Expenditures					
Direct Instruction	\$60,157,717	\$56,114,071	\$58,711,063	\$59,673,135	\$61,596,789
Student Support Services	9,074,550	8,679,652	8,421,468	8,455,260	8,977,039
Instruction Support Services	3,642,499	3,452,186	3,537,232	3,758,587	3,889,648
General Administration Support Services	1,178,057	600,423	542,384	487,695	514,542
School Administration Support Services	5,775,537	6,068,947	5,869,701	6,159,482	6,333,226
Other Support Services	11,740	40,391	150,980	87,466	169,608
Central Services	1,925,257	1,997,870	1,957,234	2,030,247	2,078,510
Operation & Maintenance of Plant	5,272,569	9,468,484	11,002,203	10,984,503	11,453,716
Student Transportation	5,579,271	5,230,015	4,983,296	5,060,660	4,989,986
Food Services	-	-	-	-	6,771
Community Services	<u>58,517</u>	<u>53,087</u>	<u>55,201</u>	<u>41,123</u>	<u>27,213</u>
Total Expenditures	\$92,675,714	\$91,705,126	\$95,230,762	\$96,738,158	\$100,037,048
Excess (deficiency) of					
Revenue over Expenditures	\$4,858,183	\$6,733,836	\$5,319,222	\$6,703,011	\$3,631,540
Beginning Fund Balance	(\$3,536,292)	\$1,321,891	\$7,946,608	\$12,909,036	\$19,608,195
Prior Year Adjustment	<u>100</u>	<u>(109,119)</u>	<u>(356,794)</u>	<u>(3,942)</u>	<u>(6,060)</u>
Ending Fund Balance	<u>\$1,321,991</u>	<u>\$7,946,608</u>	<u>\$12,909,036</u>	<u>\$19,608,105</u>	<u>\$23,233,675</u>

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

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for year ended June 30, 2014 is attached in Appendix B.

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

Agency Funds

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

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

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

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

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

Employees and Retirement Plan

The District employs 90 administrators, approximately 1,100 teachers and other professional instructional personnel, 250 instructional assistants, and 490 support and administrative staff.

Pension Plan – Educational Retirement Board

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

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

<u>Fiscal Year</u>	<u>Employer</u>	<u>Employee</u>	<u>Average Asset</u>
2005	\$197,872,532	\$169,099,212	\$7,457,547,183
2006	226,479,332	178,220,782	7,935,721,495
2007	255,853,194	193,657,706	8,316,115,182
2008	290,846,065	201,916,295	9,272,828,135
2009	323,685,497	212,014,023	9,366,271,312
2010	313,276,296	250,666,650	9,431,321,589
2011	308,367,952	247,407,988	9,642,229,673
2012	253,845,277	289,852,094	9,606,304,017
2013	299,657,530	248,785,187	10,358,058,861
2014	362,462,537	268,693,991	11,442,171,449

Source: New Mexico Educational Retirement Board, Financial Report

Funding Policy

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: 10.10% of their gross salary in fiscal year 2014; and 10.70% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions: In fiscal year 2014, the District was required to contribute 13.5% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, the District will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.90% of gross covered salary in fiscal year 2015.

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 contribution to ERB for the fiscal year ending June 30, 2014, 2013 and 2012 were \$9,544,454, \$8,015,055 and \$6,866,258, respectively, which equals the amount of the required contributions for the fiscal year.

Net Pension Liability - NMERB's net pension liability for fiscal year 2014 is \$5,705.1 billion. This represents a \$571.1 million, or 9.1%, decrease from the fiscal year 2013 \$6,276.8 billion balance. The 2014 net pension liability stated as a percentage of covered payroll is 209.92%. The decrease in net pension liability is primarily due to investment gains. The District's estimated proportion of the NMERB Net Pension Liability is expected to be \$150 million based on 2.63323% of employer estimated contributions statewide for the year ended June 30, 2014.

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

*New Mexico School Boards Association, February 2015

Post-Employment Benefits – State Retiree Health Care Plan

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 (NMSA 1978, Chapter 10, Article 7C).

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

Section 10-7C-13 of the Retiree Health Care Act 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. During the fiscal year ended June 30,

2013, the statute required each participating employer, not members of an enhanced retirement plan, 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 ended June 30, 2014, 2013 and 2012 were \$1,451,628, \$1,449,681 and \$1,329,025, respectively, which equal the required contributions for each year.

Tax Matters

Federal Income Tax Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, will render its opinion that, in accordance with statutes, regulations, published rulings, and court decisions existing on the date thereof, (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated in this subsection and the subsection "New Mexico Income Tax Opinion," McCall, Parkhurst & Horton L.L.P. will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Bonds. See Appendix D -- Form of Opinion of McCall, Parkhurst & Horton L.L.P.

In rendering its opinion, McCall, Parkhurst & Horton L.L.P. will rely upon (a) the District's federal tax certificate (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds, and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of McCall, Parkhurst & Horton L.L.P. is conditioned on compliance by the District with such requirements, and McCall, Parkhurst & Horton L.L.P. has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

The opinion rendered by McCall, Parkhurst & Horton L.L.P. represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. The opinion rendered by McCall, Parkhurst & Horton L.L.P. is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion rendered by McCall, Parkhurst & Horton L.L.P. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

New Mexico Income Tax Opinion

On the date of initial delivery of the Bonds, Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P. will render their opinions that interest on the Bonds will be excluded from net income for purposes of New Mexico state income tax. Cuddy & McCarthy, LLP expresses no opinion as to any other federal, state or local tax consequences, except as described in this subsection.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price

to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excessive passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local & Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States citizens.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action which would assure, or to refrain from such action which would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded, however, the Internal Revenue Service could take a contrary view. Were the Internal Revenue Service to conclude that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the obligations would not be "qualified tax-exempt obligations."**

Continuing Disclosure Undertaking

In the bond resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's website at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB's Electronic Municipal Market Access ("EMMA") system. The information to be updated includes all quantitative 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 - Enrollment" and "FINANCES OF THE DISTRICT - State Equalization Guarantee", "Statement of Net Position", "Statement of Activities", "Balance Sheet", and "Statement of Revenues, Expenditures & Changes in Fund Balances". The District will update and provide this information by March 31 of each fiscal year beginning in 2016.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated 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 by the required time and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with accounting principles described in the District's annual financial statements attached hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

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

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

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 6000, 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.

Compliance with Prior Undertakings

Audited financial statements for FY2009 and FY2010 were not filed by the required due date. Unaudited financials were required to be filed if the audited financial statements were not available, however, the unaudited financial were also not available. Both audits were subsequently filed when the documents became available. Aside from the late filings of the aforementioned audited financial statements, for the past five years, the District has previously made continuing disclosure agreements in accordance with SEC Rule 15c2-12 and is in material compliance with such agreements.

Litigation

At the time of the original delivery of the Bonds, the District will deliver a no-litigation certificate to the effect that no litigation, 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 Resolution, the levying or collecting of taxes to pay the principal of and interest on the Bonds except as described below or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

Rating

Moody's Investors Service has rated the Bonds "Aa1 Enhanced". The underlying rating for the District is "A1". 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 continue for any given period of time or that the rating will not 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 an effect on the market price of the Bond.

The Financial Advisor

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

Legal Matters

The written approval of the New Mexico Attorney General as to the Bonds form and legality will be supplied. The legality of the bonds, in addition, will be approved by Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P. Austin, Texas, as Co-Bond Counsel, whose unqualified opinions approving the legality of the Bonds will be furnished to the successful bidder at no cost to the successful bidder.

In connection with the transactions described in this Official Statement, Co-Bond Counsel only represent the District. The fee to be paid to Co-Bond Counsel is contingent upon the sale and delivery of the Bonds. The issuance, sale and delivery of the Bonds is also subject to the approval of the New Mexico Attorney General's Office.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Disclosure Certificate

The final certificate included in the transcript of legal proceedings will include the following: at closing the Chief Financial Officer will sign a certificate stating, after reasonable investigation, that to the best of his knowledge (a) no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, is pending, or, to the best of his knowledge, threatened in any way contesting the completeness or accuracy of the Final Official Statement, (b) the Final Official Statement, as it pertains to the District and the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (c) no event affecting the District has occurred since the date of the Final Official Statement, which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; provided, however, that the District does not make any representation concerning the pricing information contained in the Final Official Statement.

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 economy of the Las Cruces MSA (Metropolitan Statistical Area) is diversified with the major employers being government, primarily White Sands Missile Range, NASA, New Mexico State University, City/County government and the Las Cruces Public Schools and Gadsden Independent School District which accounted for 20,900 jobs in May 2015. The remaining non-agricultural jobs are in manufacturing (2,200), wholesale/retail trade (9,200), mining, logging and construction (3,100), transportation/warehousing/utilities (2,000), information (900), finance (2,700) and all other services (29,800)¹.

Growth in the economy is demonstrated in the increase in gross receipts from retail trade, assessed valuation, building permits, housing prices, and median household income.

Industry

A combination of a well-educated labor force, favorable tax rates, and a high quality of living has attracted industry to Las Cruces. The blend of industries contributing to the diversification of the City's economy include: White Sands Missile Range (U.S. Army, private industry testing facility), Las Cruces Medical Center (hospital), NASA LBJ Test Facility (rocket testing), Honeywell Aerospace, Wal-Mart (retail), Tresco, Inc. (sheltered employment), Tyson Foods (meat processor), NMSU Physical Science Laboratory (aerospace contractor), Multi-Plastics (Component Parts), Taylor Metro (Scales & Measurement), Calculex (Electronics), Aldershot (Wholesale Nursery), FXI (Packaging), Young Pecan (Food Processing), and Las Cruces Machine (Machine Parts).

Tourism

The tourism industry has an impact on the Las Cruces economy with over 7,500 persons employed in the industry. A number of recreation sites in the Las Cruces area, including Leasburg Dam State Park, Fort Selden State Monument, Aguirre Springs, and Dripping Springs, attract visitors to their facilities. The Las Cruces Farmers & Crafts Market, held each Wednesday and Saturday morning, is rated as one of the top ten open air markets in the United States. The New Mexico Farm & Ranch Heritage Museum, along with the University Art Gallery, the New Mexico State University Museum, the Las Cruces Museum of Natural History, and the Branigan Cultural Center give area visitors a glimpse into the life and culture of contemporary and historical New Mexico. The White Sands Missile Range, located in nearby Alamogordo, is the birthplace of the atomic age. It was established in 1945 and is operated by the United States Army. The Range is a major test facility for testing capabilities needed by the U. S. Army, Navy and Air Force, and by NASA. White Sands is the home of Trinity Site, where the first atomic bomb was detonated, and is open to the public on the first Saturday in April and October.

New Mexico State University

New Mexico State University (the "University"), the main campus of which is situated in Las Cruces, was originally founded in 1888, and in 1889 was established as a land grant college. The University had a Fall 2014 enrollment of 26,294 students (including four branch campuses) as of September 5, the University's census date. Main campus Fall 2014 enrollment was 15,829². Twenty-four doctoral programs, 56 master's degree programs, and 89 bachelor's degree programs are available in the University's eight colleges (Agriculture, Consumer and Environmental Sciences; Arts and Sciences; Business; Education; Engineering; Extended Learning; Health and Social Services; Honors).

The University's main campus encompasses approximately 6250 acres and consists of more than 210 academic, research, and auxiliary buildings, and over 400 housing buildings. There are more than 1,700 faculty members, and almost 4,000 staff. About 1,100 of the faculty and 3,400 staff members are located on the Las Cruces campus. The University's largest single research operation is the Physical Science Laboratory.

¹ All numbers are preliminary. New Mexico Department of Workforce Solutions, Economic Research & Analysis Bureau. "New Mexico Labor Market Review Vol 44 No. 5." New Mexico Department of Workforce Solutions. 26 June 2015. Web. 24 July 2015.

² New Mexico State University Office of Institutional Analysis. "New Mexico State University Fall 2014 Factbook." 1 Feb. 2015. Web. 24 July 2015.

Research for engineering, space technology, and farm production and related industries also conducted by various University departments. During FY2014, the University's research expenditures exceeded \$128.78 million. The University is classified as a Doctoral/Research institution as rated by the Carnegie Foundation. The University anchors the southern end of New Mexico's Rio Grande Research Corridor. The statewide Water Resources Research Institute is situated at the University and studies the State's water supply and demands, conservation and use, as well as ecological and other aspects thereof.

The University's Doña Ana Branch, the area's occupational training school, offers more than 8,500 students a variety of programs designed to train students for meaningful employment. The program is designed to be flexible and can be programmed to meet the specific training needs of employers.

Agriculture

Many private and commercial farms are located in Doña Ana County. According to 2012 Census of Agriculture data the number of farms in Doña Ana County is 2,184 which is 24% increase since the last Census conducted in 2007¹. Principal crops include cotton, pecans, alfalfa, onions, lettuce, chile, barley, nursery stock, and feed grains. Water for the various agricultural operations is provided by surface water diverted from the Rio Grande River and approximately 900 irrigation wells. The area's growing season averages about 200 days each year. The livestock, dairy cattle, Stahmann Farms (2,000 irrigated acres), and the poultry industry also provide a significant portion of agricultural income. The New Mexico chile industry contributes about 400 million annually to the New Mexico economy; 66% of that industry is based in southern New Mexico and creates about 4,500 jobs annually.

Military/Defense

Military installations in and around southern Doña Ana County have a significant impact on the regional economy. The employment of civilian personnel is substantial, and, combined with the military payrolls, has a pronounced effect on the level and stability of business volume.

Fort Bliss, historically important since its establishment as a post in 1848, is now the Army's Air Defense Training Center. Fort Bliss extends northward from El Paso to adjoin White Sands Missile Range. The combined facilities represent an uninterrupted distance in excess of 100 miles dedicated to military and scientific pursuits.

White Sands Missile Range ('WSMR') has long played an important role in weapons testing. With increasing technology involved in modern weapons, the facility's activities continue to take on increased importance. It is the largest all-land missile range in the Western Hemisphere. Presently, the local area economic impact of WSMR is approximately \$1,800,000 per day².

Holloman Air Development Center, near Alamogordo, New Mexico, specializes in the testing and evaluation of new weapons for the Air Force. More than 25 electronic and aircraft companies operate at the Center.

City of Sunland Park

Sunland Park became New Mexico's 98th incorporated municipality on January 1, 1984. The City of Sunland Park, which is composed of the former communities of Anapra, Meadow Vista and Riverside, has a population of 15,069 (2013 Estimate by US Census Bureau.) Within the City are Sunland Park Racetrack and the El Paso Electric Company power plant.

¹US Department of Agriculture. "2012 Census of Agriculture. County Profile." USDA, National Agricultural Statistics Service, 2012. Web. 24 July 2015.

²"Las Cruces New Mexico - Military Installations / Bases - Las Cruces Magazine." Las Cruces New Mexico - Military Installations / Bases - Las Cruces Magazine. Web. 24 July 2015.

Transportation

Historically a crossroads of the Southwest, Las Cruces is one of two cities in New Mexico serviced by Interstate Highways I-10 (east-west) and I-25 (north-south). In addition, the City is serviced by five major U.S. highways and seven State highways.

More than 20 interstate, regional and local motor carriers serve Las Cruces; four of them operate terminals in the area.

Commuter air service and corporate and general aviation service is available at the City's international airport. Major scheduled airline service is provided by El Paso International Airport, approximately 50 miles from Las Cruces.

Daily rail service, with piggyback and container service, is provided by the Santa Fe and Southern Pacific railroads.

Population

Based on information gained from the Bureau of Business & Economic Research, the following table shows both the historical and projected population data for Doña Ana County, Otero County, El Paso County (Texas) and the State.

U.S. Census	Dona Ana County (NM)	Otero County (NM)	El Paso County (TX)	State of New Mexico
1940	30,411	10,522	131,067	531,818
1950	39,557	14,909	194,968	681,187
1960	59,948	36,976	314,070	951,023
1970	69,773	41,097	359,291	1,017,055
1980	96,340	44,665	479,899	1,303,143
1990	135,510	51,928	591,610	1,515,069
2000	174,682	62,298	679,622	1,819,046
2010	209,233	63,797	800,647	2,059,179
2020*	256,619	71,051	870,831	2,383,116
2030*	291,895	73,436	949,960	2,864,796

* Projected

Source: University of New Mexico Bureau of Business & Economic Research, Texas State Data Center and U.S. Census Bureau.

The following table sets forth a comparative age distribution profile for Doña Ana County, Otero County, New Mexico and the United States as of August 2015.

<u>Age</u>	<u>Dona Ana County</u>	<u>Otero County</u>	<u>New Mexico</u>	<u>United States</u>
0 - 17	26.0%	25.1%	24.5%	23.2%
18 - 24	11.7%	10.3%	9.7%	9.9%
25 - 34	14.2%	14.0%	13.3%	13.3%
35 - 44	11.1%	11.0%	11.8%	12.7%
45 - 54	11.5%	11.6%	12.6%	13.6%
55 and older	25.6%	27.9%	28.1%	27.3%

Source: The Nielsen Company, August 2015.

Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income ("EBI") and a five-year comparison of the estimated median household income as reported by The Nielsen Company. EBI is personal income less personal tax and non-tax payments. Personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, personal interest income, and transfer payments. Deductions are made for federal, state, and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. The following chart depicts the median household EBI level for Doña Ana County, Otero County, the State of New Mexico and the United States.

Effective Buying Income Groups - 2015

<u>Effective Buying Income Group</u>	<u>Dona Ana County</u>	<u>Otero County</u>	<u>New Mexico</u>	<u>United States</u>
Under \$25,000	33.2%	31.0%	28.4%	23.5%
\$25,000 - \$34,999	12.3%	11.7%	11.6%	10.2%
\$35,000 - \$49,999	14.1%	15.2%	14.1%	13.6%
\$50,000 - \$74,999	16.3%	18.3%	17.1%	17.8%
\$75,000 & Over	24.1%	23.8%	28.8%	34.9%
2011 Est. Median Household Income	\$35,047	\$37,237	\$42,030	\$49,726
2012 Est. Median Household Income	\$34,983	\$36,985	\$41,958	\$49,581
2013 Est. Median Household Income	\$35,981	\$40,023	\$43,273	\$49,297
2014 Est. Median Household Income	\$37,915	\$39,100	\$44,292	\$51,579
2015 Est. Median Household Income	\$39,738	\$42,177	\$45,633	\$53,706

Source: The Nielsen Company, August 2015.

Gross Receipts

The following table shows the reported retail gross receipts and the total reported gross receipts generated in the City of Las Cruces, City of Sunland Park, and the State of New Mexico for the past ten fiscal years ending June 30th. For the purposes of these tables, gross receipts means the total amount of money received from selling goods and services in the State of New Mexico, from leasing property, and from performing services in the State. Gross receipts includes, among other things, food sales and services such as legal and medical.

FY	<u>City of Las Cruces</u>		<u>City of Sunland Park</u>		<u>State of New Mexico</u>	
	<u>Retail Trade</u>	<u>Total</u>	<u>Retail Trade</u>	<u>Total</u>	<u>Retail Trade</u>	<u>Total</u>
2014	\$1,434,463,630	\$5,123,830,072	\$18,819,749	\$192,118,083	\$24,395,913,091	\$107,584,699,939
2013	1,409,255,431	5,227,868,451	18,354,349	165,761,448	24,239,671,094	108,060,633,566
2012	1,430,446,622	5,324,304,225	20,669,330	159,145,896	23,914,774,137	104,221,140,366
2011	1,457,341,903	4,946,094,992	20,977,620	151,321,296	23,789,930,180	102,715,750,442
2010	1,401,251,647	4,764,363,662	17,405,080	167,811,734	24,608,799,717	94,722,576,401
2009	1,389,134,599	4,721,380,100	18,705,636	153,025,822	23,812,635,284	104,562,006,074
2008	1,488,177,478	4,868,400,324	17,068,045	132,744,747	25,711,762,198	110,710,199,751
2007	1,369,206,759	4,555,017,434	18,832,614	148,139,765	26,012,239,572	103,740,330,414
2006	1,234,826,401	4,132,688,238	19,901,619	162,204,012	24,014,746,059	94,347,408,225
2005	1,076,698,454	3,570,426,595	10,660,894	129,515,788	20,415,828,877	78,474,378,192

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

Employment

Historically, the unemployment rates for Dona Ana County, Otero County and the State have remained higher than national levels. The following table provides a ten-year history of labor force and unemployment rates for Dona Ana County, Otero County, the State and the United States.

Year ⁽¹⁾	<u>Las Cruces MSA</u> <u>(Dona Ana County)</u>		<u>Otero County</u>		<u>New Mexico</u>		<u>United States</u>
	Labor	Percent	Labor	Percent	Labor	Percent	Percent
	<u>Force</u>	<u>Unemployed</u>	<u>Force</u>	<u>Unemployed</u>	<u>Force</u>	<u>Unemployed</u>	<u>Unemployed</u>
2005	85,089	5.6%	26,815	4.9%	918,156	5.1%	5.1%
2006	85,792	4.7%	26,045	4.2%	928,094	4.2%	4.6%
2007	86,938	4.2%	25,992	3.8%	934,027	3.8%	4.6%
2008	88,893	4.7%	25,888	4.4%	944,548	4.5%	5.8%
2009	90,210	7.3%	25,939	6.7%	940,352	7.5%	9.3%
2010	93,753	7.7%	25,160	7.2%	936,088	8.1%	9.6%
2011	93,419	7.6%	24,975	6.7%	929,862	7.6%	8.9%
2012	93,938	7.3%	25,397	6.4%	928,050	7.1%	8.1%
2013	93,901	7.5%	25,526	6.3%	922,960	6.9%	7.4%
2014	93,212	7.2%	24,818	6.1%	918,206	6.5%	6.2%
2015 ⁽²⁾	93,087	8.2%	24,727	5.8%	934,061	7.2%	5.5%

(1) Numbers are annual averages.

(2) Data for the month of June 2015.

Source: New Mexico Department of Workforce Solutions, July 2015.

Major Employers

Major employers in the Las Cruces MSA include:

Major Employers in Major Employers in Las Cruces MSA

<u>1,000+ Employees</u>	<u>500 - 999 Employees</u>
City of Las Cruces	Coordinated Care Corp.
Gadsden School District	Dona Ana Community College
Las Cruces School District	Dona Ana County
Memorial Medical Center	Mountain View Regional Medical Center
Wal-Mart	Newtec LLC
New Mexico State University	Trax International
White Sands Missile Range	Peak Hospital of Santa Teresa
	Physical Science Laboratory
	Sunland Park Racetrack & Casino

Source: Mesilla Valley Economic Development Authority, 11/20/2014.

Covered Wage and Salary Employment by NAICS Code Classification

The New Mexico Department of Workforce Solutions publishes quarterly reports of covered employment and wages according to the [North American Industry Classification System \(NAICS\)](#). Detailed below are the reports for Doña Ana County and Otero County.

Doña Ana County	2009	2010	2011	2012	2013
Grand Total	67,759	69,187	69,109	69,246	70,377
Total Private	48,797	50,193	50,671	51,208	52,390
Agriculture, Forestry, Fishing & Hunting	3,314	3,470	3,199	3,385	3,310
Mining	40	40	45	24	20
Utilities	360	353	371	394	398
Construction	3,639	3,567	3,545	3,405	3,486
Manufacturing	2,908	2,830	3,094	2,864	2,706
Wholesale Trade	1,262	1,271	1,099	1,072	1,217
Retail Trade	6,855	6,933	7,234	7,466	7,582
Transportation & Warehousing	1,301	1,276	1,417	1,490	1,353
Information	848	848	842	894	905
Finance & Insurance	1,707	1,515	1,562	1,655	1,735
Real Estate & Rental & Leasing	762	723	708	683	703
Professional & Technical Services	3,430	3,751	3,339	3,434	3,958
Management of Companies & Enterprises	98	94	85	51	35
Administrative & Waste Services	2,983	3,946	3,844	3,057	3,184
Educational Services	308	394	428	507	525
Health Care & Social Assistance	10,427	10,708	11,350	12,198	12,244
Arts, Entertainment & Recreation	1,138	1,147	1,126	1,049	1,008
Accommodation & Food Services	5,876	5,913	6,046	6,269	6,731
Other Services, ex. Public Administration	1,535	1,413	1,334	1,313	1,292
Unclassified	7	0	0	0	0
Total Government	18,963	18,994	18,439	18,037	17,987
Federal	4,042	4,264	4,051	3,870	3,742
State	6,256	6,151	5,810	5,586	5,604
Local	8,665	8,579	8,578	8,581	8,641

Source: New Mexico Dept. of Workforce Solutions, Economic Research and Analysis Bureau, Quarterly Censuses of Employment & Wages.

Otero County	2009	2010	2011	2012	2013
Grand Total	17,135	17,073	16,955	17,616	17,709
Total Private	10,790	10,793	10,733	11,542	11,581
Agriculture, Forestry, Fishing & Hunting	129	128	114	112	104
Mining	8	6	6	*	*
Utilities	112	110	116	116	121
Construction	1,156	1,163	1,091	986	998
Manufacturing	245	223	166	184	205
Wholesale Trade	163	178	184	196	184
Retail Trade	2,154	2,206	2,171	2,178	2,154
Transportation & Warehousing	348	360	292	276	277
Information	251	241	235	251	247
Finance & Insurance	384	367	373	404	403
Real Estate & Rental & Leasing	150	151	129	126	123
Professional & Technical Services	753	755	754	748	863
Management of Companies & Enterprises	*	*	*	*	*
Administrative & Waste Services	*	*	*	1,074	1,168
Educational Services	44	50	24	231	213
Health Care & Social Assistance	2,163	2,301	2,482	2,335	2,267
Arts, Entertainment & Recreation	69	86	72	77	70
Accommodation & Food Services	1,659	1,566	1,624	1,724	1,697
Other Services, ex. Public Administration	449	430	450	456	405
Unclassified	-	-	-	-	-
Total Government	6,345	6,280	6,223	6,074	6,128
Federal	1,908	2,001	2,029	1,911	1,834
State	790	737	709	692	691
Local	3,647	3,542	3,485	3,471	3,603

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

Source: New Mexico Dept. of Workforce Solutions, Economic Research and Analysis Bureau, Quarterly Censuses of Employment & Wages.

APPENDIX B

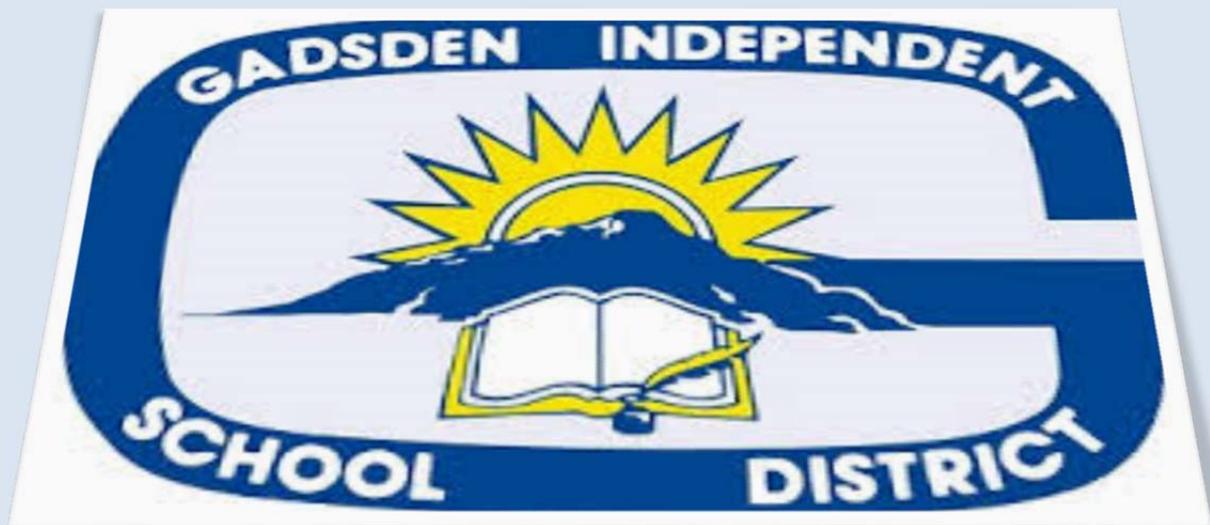
EXCERPTS FROM
JUNE 30, 2014 AUDITED FINANCIAL STATEMENTS

GADSDEN INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

(WITH AUDITORS' REPORT THEREON)



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2014
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STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
OFFICIAL ROSTER
JUNE 30, 2014

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
Daniel Castillo		President
Jennifer Viramontes		Vice President
Gloria Y. Irigoyen		Secretary
Maria Saenz		Member
Craig Ford		Member
	<u>School Officials</u>	
Efren Yturralde		Superintendent
Steven W. Suggs		Deputy Superintendent/Chief Financial Officer
Barbara Browder		Associate Superintendent for Human Resources
Richard Chavez		Associate Superintendent for Support Services

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget
The Board of Education
Gadsden Independent Schools
Sunland Park, New Mexico

Report on 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 funds of Gadsden Independent Schools (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the combining financial statements of each of the District's nonmajor governmental funds and the budgetary comparisons for the major capital project fund, major debt service fund, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Gadsden Independent Schools, as of June 30, 2014, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2014, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the major capital projects fund, major debt service fund, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 17 through 24 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations and Supporting Schedules I through IV required by 2.2.2 NMAC* are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
October 23, 2014

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**State of New Mexico
Gadsden Independent Schools**

Management's Discussion and Analysis

As management of the Gadsden Independent Schools (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2014 are as follows:

- The assets of the District exceeded its liabilities at the end of the fiscal year by \$312,052,427 (net position). Of this amount, \$233,142,015 is invested in capital assets, \$43,065,505 is restricted for capital projects and debt service purposes, \$14,308,386 is restricted for special revenue fund purposes and \$21,536,521 is unrestricted and may be used to meet the District's ongoing obligations.
- The District's total net position increased by \$40,695,594, which is reflected in the District's Statement of Activities.
- The District's liabilities increased by \$5,928,572 in fiscal year 2014. This increase is due to an increase in accounts payable, accrued payroll liabilities, unamortized bond premium and non-current portion of the bonds payable with an offsetting decrease in accrued compensated absences, accrued interest, and the current portion of bonds payable.
- At June 30, 2014, the fund balance for the general fund was \$22,992,357, which reflects an increase of \$3,930,565. General fund expenditures were reduced through careful budget management throughout the fiscal year which contributed to the increase in the fund balance. The district received additional State Funds in fiscal year 2014, compared to the prior year which allowed the district to increase the fund balance as well. These two factors resulted in excess revenues over expenditures of \$3,930,565 before operating transfers, which is reflected in the assigned and unassigned fund balance.
- The District's general obligation bond and lease purchase notes debt balance is \$48,335,000, which reflects a \$2,105,000 increase due to the net offset of issuing new debt and retiring old bonds. Voters authorized new bonds in the amount of \$38,000,000 in an election in February 2014, which allows the District to issue this new debt over a four year period beginning with the fiscal year ending June 30, 2015.

Basic Financial Statements

In general, the purpose of financial reporting is to provide external parties that read the financial statements with information that will help them to make decisions or draw conclusions about the reporting entity. There are many external parties that read and use the District's financial statements; however, these parties do not always have the same objectives. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader may understand the District's overall financial position. In accordance with required reporting requirements, the District presents (1) government-wide financial statements and (2) fund financial statements.

Government-wide financial statements

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

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

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this

**State of New Mexico
Gadsden Independent Schools**

statement for some items that will result in cash flows only in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

The *government-wide financial statements* can be found on pages 26-29 of this report.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. A reconciliation to facilitate the comparison of the governmental funds and governmental activities has been provided.

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

- General Fund
- Transportation Fund
- Instructional Materials Fund
- Food Services Fund
- Title I – 24101 Fund
- Bond Building Fund
- Debt Service Fund
- Other Governmental Funds

The first seven funds are considered major funds. Individual fund data for each of the funds included in the Other Governmental Funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 30-37 of this report.

Fiduciary Funds

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

The fiduciary fund financial statements can be found on pages 43 and 44 of this report.

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Overview of the District's Financial Position and Operations

The District's overall financial position and operations for the current year are as follows:

Gadsden Independent Schools Net Position

	Governmental Activities	
	2014	2013
Current and other assets	\$ 89,273,574	\$ 88,398,586
Capital Assets	<u>282,729,686</u>	<u>122,591,939</u>
Total Assets	<u>\$372,003,260</u>	<u>\$210,990,525</u>
Long-term liabilities	\$ 39,700,978	\$ 36,002,268
Other liabilities	<u>20,249,855</u>	<u>18,019,993</u>
Total Liabilities	<u>\$ 59,950,833</u>	<u>\$ 54,022,261</u>
Net position:		
Invested in capital assets, net of debt	\$233,142,015	\$ 76,300,804
Restricted for:		
Debt Service	14,226,296	14,740,328
Special Revenue	14,308,386	12,110,056
Capital projects	28,839,209	35,852,668
Other activities		
Unrestricted	<u>21,536,521</u>	<u>17,964,408</u>
Total Net Position	<u>\$312,052,427</u>	<u>\$156,968,264</u>

As noted in the preceding schedule, 7% of the District's net position is unrestricted in nature and can be used at the discretion of the District and to meet ongoing obligations to creditors and stakeholders. All other portions are restricted for the stated purpose. 75% of the District's net position is invested in capital assets, net of related debt. This indicates that the accumulated depreciation along with the asset value exceed existing debt. Current and other assets increased from 2013 to 2014 by \$874,988. This increase was primarily due to an increase in cash in the General and Food Services Funds offset by a decrease in cash in the Bond Building Fund. Net Position Invested in Capital Assets increased \$157,716,199 due to the recognition of the value of matching construction costs received from the State of New Mexico and depreciation expense being more than the cost of completed building and building projects. The District continues to utilize local Bond Funds and State Matching Funds to construct new schools and make improvements to existing facilities. Total Liabilities increased by \$5,928,572 primarily due to an increase in the Accounts Payable for the Bond Building Fund and increases in Unamortized Bond Premiums and Bonds Payable which is the result of the net of the issuance of new debt and the retirement of existing debt that occurred in the fiscal year ended June 30, 2014.

Governmental activities increased the District's net position by \$40,695,594. This increase is related to the District's increase in Capital Grants and Contributions related to the recognition of State Matching Funds. Governmental activities expense increased compared to 2013 expenses which reflects an increase in depreciation expense related to the additional capital outlays incurred. The District also experienced an increase in the general revenues compared to 2013. Another important fact is the District's liquidity which is the ability to convert assets into cash to pay for obligations and commitments. Unrestricted and Restricted Cash and cash equivalents represent approximately 89% of the District's current and other assets.

**State of New Mexico
Gadsden Independent Schools**

The following are major elements of the District's governmental activities contributing to the increase in the change in net position.

Gadsden Independent Schools Changes in Net Position

Governmental Activities	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$ 1,033,735	\$ 1,202,224
Operating grants and contributions	35,417,173	34,882,315
Capital grants and contributions	41,285,711	4,253,942
General revenues:		
Local property taxes	\$ 13,771,429	13,204,948
Federal and state aid	96,483,480	94,847,967
Interest and investment earnings	41,080	41,985
Other	1,317,346	2,608,048
Total revenues	\$189,349,954	\$151,041,429
Expenses:		
Direct Instruction	\$ 81,950,748	\$ 77,985,470
Support Services-Student/Instruction/School Admin	25,528,459	23,700,756
Support Services-General Administration/Other	1,309,764	1,122,663
Central Services	2,526,523	2,587,908
Operation and maintenance of plant	18,649,770	16,235,748
Food services	9,030,883	8,956,555
Community service	208,285	221,240
Student Transportation	5,651,248	5,552,285
Capital outlay	-	-
Interest on long-term debt	1,082,519	922,766
Depreciation-Facilities acquisition and Construction	2,716,161	1,195,287
Total expenses	\$ 148,654,360	\$138,480,678
Net Change in Fund Balances	\$ 40,695,594	\$ 12,560,751
Beginning Fund Balance – July 1	156,968,264	143,650,189
Prior Period Adjustment	114,388,569	757,324
Ending Fund Balance – June 30	\$312,052,427	\$156,968,264

As noted in the preceding schedule, the District is heavily dependent on federal and state aid which comprises 51% of total revenues. In addition the District received \$38,509,473 from State Capital Outlay Matching funds included in Operating Grants and Contributions which represents 20% of total revenues. Correspondingly, it spends almost 72% of total expenditures on direct instruction and support services-student/instruction/school admin., the two primary functions that indicate direct school spending. Revenues from local sources remained relatively stable. The District experienced an increase of \$566,481 in property tax revenues. Federal and State Aid, Operating Grants and contributions sources experienced an increase of \$2,170,371 compared to 2013. This increase is largely due to increases in Federal and State Aid and grants for 2014. Due to the economic factors of

**State of New Mexico
Gadsden Independent Schools**

the communities we serve, the District qualifies for substantial Federal assistance. The ability to obtain Capital Funding from the State is related to the student growth that the District experiences as well as the ranking of its facilities by the NM Public School Facility Authority which determines when facilities are to be replaced, upgraded, or added.

The major funds noted similar variances when comparing 2013 to 2014. The Debt Service Fund has decreased as a direct result of the changes in long term debt. The Bond Building Fund decreased due to the completion of construction projects as well as the status of constructions projects currently in progress.

General Fund Budgetary Highlights

Budget to actual comparison schedules are presented for all major funds on pages 38-42. In addition, budget to actual comparison schedules were presented for each individual non-major fund in the supplementary information section of this report on pages 104-142, 150-155 and 161-162. These schedules are prepared on a cash basis which is the format allowed by the District's oversight agency, the New Mexico Public Education Department.

The original expenditure budget for the District's general fund was increased by \$6,826,682 due to changes in the designated cash balance available for budgeting. The final expenditure budget was \$111,724,593, of which \$93,899,772 was expended in the current year. Of the almost \$97 million revenue budget, 101% of the budgeted amount was received during the year.

The District continues to maintain a strong financial position in the food services fund and the debt service fund.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 201 is \$282,729,686. These assets include land and land improvements, building and building improvements, equipment and furniture, vehicles, and construction in progress. Construction in progress consisted of major construction projects currently underway in the District which includes additions and improvements to an existing high school and one elementary school located in the community of Sunland Park and other various remodel/addition projects throughout the District. Capital Assets increased approximately 131% from the prior year due to adding the value of matching construction costs received from the State of New Mexico and the status of completed construction projects compared to the prior year.

Depreciation calculated during years 2006 through 2014 as a result of GASB 34 implementation resulted in a balance of \$117,817,104 of which \$12,651,057 is for depreciation in the current year and the recognition of prior period depreciation on the additional cost from the matching construction costs received from the State of New Mexico. Additional information of the District's capital assets is presented in Note 6 of the financial statements.

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Gadsden Independent Schools**

Long-term obligations

At the end of the current year, the district had \$49,630,769 in long-term debt related to governmental activities. Of this debt, \$44,585,000 was related to general obligation bonds and \$3,750,000 was related to educational technology lease purchase notes outstanding at year end. The debt position of the District is summarized below and is more fully analyzed in Notes 7 of the financial statements.

	Balance 7/01/13	Additions	Deletions	Balance 6/30/14	Amts Due In One Yr
Governmental Activities:					
Compensated Absences	\$ 1,310,383	\$ 472,174	\$ 486,788	\$ 1,295,769	\$ 452,262
Lease Purchase Notes	1,750,000	3,750,000	1,750,000	3,750,000	1,750,000
School Bldg. Bonds	44,480,000	9,500,000	9,395,000	44,585,000	9,130,000
Total	<u>\$47,540,383</u>	<u>\$13,722,174</u>	<u>\$11,631,788</u>	<u>\$49,630,769</u>	<u>\$11,332,262</u>

The District issued General Obligation Bonds in the amount of \$9,500,000 in October 2013. On August 15, 2013 and June 1, 2014 the District reduced the debt principal by \$8,820,000 and \$575,000, respectively, in accordance with scheduled bond payments.

Overall, the District increased its debt balances by \$2,090,386, which was due to the issuance of new bonds and lease purchase notes and offset by a decrease in compensated absences and the debt payment activity described above.

The most recent issuances by the District have received the following credit ratings:

- The \$8,770,000 bonds issued in October 2002 received a Moody's rating of Aaa, and an A3 Underlying rating.
- The \$9,800,000 bonds issued in September 2003 received an upgraded Moody's rating of Enhanced Aa2 and an A3 underlying rating. The upgrade in rating is partly due to recent legislative action that guarantees payment to the bond holders in the event of default by the District.
- The \$8,000,000 bonds issued in September 2004 received a Moody's rating of Aa2.
- The \$3,200,000 bonds issued in August 2005 received a Moody's rating of Enhanced Aa2 and an A3 underlying rating.
- The \$12,250,000 bonds issued in November 2006 were privately placed with the New Mexico Finance Authority.
- The \$8,900,000 bonds issued in September 2007 were privately placed with the New Mexico Finance Authority.
- The \$7,000,000 bonds issued in August 2008 received a Moody's rating of Enhanced Aa2 and a Baa1 underlying rating.
- The \$9,075,000 bonds issued in November 2009 were privately placed with the New Mexico Finance Authority.

**State of New Mexico
Gadsden Independent Schools**

- The \$7,250,000 bonds issued in November 2010 were privately placed with the New Mexico Finance Authority.
- The \$8,250,000 bonds and \$12,300,000 bonds issued in October 2011 received a Moody's rating of Enhanced Aa1/NEG and a Baa1 underlying rating.
- The \$11,000,000 bonds and \$1,180,000 bonds issued in December 2012 received a Moody's rating of Enhanced Aa1/NEG and an A3 underlying rating.
- The \$9,500,000 bonds issued in October 2013 received a Moody's rating of Enhanced Aa1 and an A2 underlying rating.

Relevant Current Economic Factors, Decisions and Conditions

The District has begun to experience a slowing in the growth in student population, which has an effect on the amount of state revenues as well as on future construction needs. Since the District, like all other New Mexico school districts, is funded on a prior year funding formula, (i.e. the student population from this year will determine the amount of funding received in the following year), it must maintain tight budgetary controls in order to meet current year needs with last year's funding. The District's primary general source of revenues is derived from the state funding formula. The District anticipates that the student population will remain at the same level.

Even with a slowing in growth of the overall student population, growth continues in the southern and Chaparral areas of the District, the need exists to continue to add new schools and/or construct major additions to its existing schools.

With respect to property taxes, the District's tax rate has remained stable over the last few years due to the bond program implemented by the District. As old debt is retired, new debt is issued, thereby maintaining a non-residential rate of approximately \$14.4 per \$1,000 assessed valuation.

In February 2003 new bonds in the amount of \$21 million were approved by voters, as well as a \$2.00 mill levy for capital improvements. In August 2003, \$9.8 million of these bonds were sold, in August 2004, an additional \$8 million bonds were sold and the balance of this authorization, \$3.2 million were sold in August 2005.

In February 2006 new bonds in the amount of \$38,000,000 were approved by voters, as well as the continuation of the \$2.00 mill levy for capital improvements. This debt authorization was sold over a four year period from 2006 to 2009. In November 2006, \$12.25 million of these bonds were sold, in September 2007, \$8.9 million of these bonds were sold, in August 2008, \$7.0 million of these bonds were sold and in November 2009, \$9.075 million of these bonds were sold. The remaining authorized amount of \$775,000 will not be issued due to the lack of adequate bonding capacity and the expiration of the authorization period.

In February 2010 new bonds in the amount of \$36,000,000 were approved by voters. This debt authorization was sold over a four year period from 2010 to 2013. \$7,250,000 of this debt authorization was sold in 2010. \$8,250,000 of this debt authorization was sold in 2011, \$11,000,000 of this debt authorization was sold in 2012 and the remaining debt authorization amount of \$9,500,000 was sold in 2013.

In February 2014 new bonds in the amount of \$38,000,000 were approved by voters. This debt authorization will be sold over a four year period from 2014 to 2017. It is anticipated that \$9,500,000 will be issued in 2014. The amounts issued will be dependent on the available bonding capacity which is impacted by the assessed valuation of the property within the boundaries of the District.

In February 2012 the continuation of the \$2.00 mill levy for capital improvements was approved by voters.

Continuing construction needs due to changes in the student population as well as aging of facilities requires funding from taxpayers as well as continued support through direct legislative appropriations and legislative funded matching funds from the State.

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Gadsden Independent Schools**

Request for Information

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

Steven W. Suggs, CPA
Chief Financial Officer
(505) 882-6243
ssuggs@gisd.k12.nm.us

Physical Address:
4950 McNutt
Sunland Park, NM 88063

Mailing Address:
P. O. Drawer 70
Anthony, NM 88021

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit A-1
(Page 1 of 2)

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 37,034,695
Property taxes receivable	2,246,060
Intergovernmental receivables	6,347,187
Inventory	733,628
Total current assets	46,361,570
Noncurrent assets:	
Restricted cash and cash equivalents	42,762,204
Bond underwriter discounts (net of amortization of \$47,212)	149,800
Capital assets (net of accumulated depreciation):	
Land	2,559,939
Land Improvements	14,199,676
Buildings and building improvements	349,906,606
Furniture, fixtures and equipment	21,788,536
Construction in progress	12,092,033
Less: accumulated depreciation	(117,817,104)
Total noncurrent assets	325,641,690
Total assets	\$ 372,003,260

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit A-1
(Page 2 of 2)

	Primary Government Governmental Activities
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 3,461,143
Accrued payroll liabilities	5,037,798
Deposits held for others	5,613
Accrued interest	413,039
Current portion of bonds and lease purchase notes payable	10,880,000
Accrued compensated absences	452,262
Total current liabilities	20,249,855
Noncurrent liabilities:	
Bond underwriter premiums (net of amortization of \$1,194,599)	1,402,471
Bonds and lease purchase notes payable	37,455,000
Accrued compensated absences	843,507
Total noncurrent liabilities	39,700,978
Total liabilities	59,950,833
NET POSITION	
Net investment in capital assets	233,142,015
Restricted for:	
Debt service	14,226,296
Capital projects	28,839,209
Special revenue	14,308,386
Unrestricted	21,536,521
Total net position	312,052,427
Total liabilities and net position	\$ 372,003,260

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental activities:			
Education:			
Instruction	\$ 81,950,748	\$ 783,914	\$ 13,995,908
Support services:			
Students	12,280,967	-	4,458,517
Instruction	6,332,333	-	1,241,024
General Administration	1,129,810	-	-
School Administration	6,915,159	-	-
Other Support Services	179,954	-	-
Central Services	2,526,523	-	-
Operation & Maintenance of Plant	18,649,770	12,325	582,004
Student Transportation	5,651,248	-	4,986,724
Food Services Operation	9,030,883	237,496	10,152,996
Community Services	208,285	-	-
Interest on long-term debt	1,082,519	-	-
Depreciation - unallocated	2,716,161	-	-
Total governmental activities	<u>148,654,360</u>	<u>1,033,735</u>	<u>35,417,173</u>

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

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Governmental Activities</u>
\$ -	\$ (67,170,926)
-	(7,822,450)
-	(5,091,309)
-	(1,129,810)
-	(6,915,159)
-	(179,954)
-	(2,526,523)
41,285,711	23,230,270
-	(664,524)
-	1,359,609
-	(208,285)
-	(1,082,519)
-	(2,716,161)
<u>41,285,711</u>	<u>(70,917,741)</u>

General Revenues:

Property taxes:	
Levied for general purposes	\$ 333,368
Levied for debt service	11,799,717
Levied for capital projects	1,638,344
State Equalization Guarantee	96,495,137
Unrestricted investment earnings	41,080
Miscellaneous	1,317,346
Return of funds to PED	(11,657)
Total general revenues	<u>111,613,335</u>
Change in net position	40,695,594
Net position - beginning	156,968,264
Prior period restatement	114,388,569
Net Position - beginning (restated)	<u>271,356,833</u>
Net position - ending	<u>\$ 312,052,427</u>

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Operational Fund			
	General 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000
ASSETS:				
Cash and cash equivalents	\$ 23,128,666	\$ 4,894	\$ 238,430	\$ 10,672,832
Accounts receivable				
Taxes	49,797	-	-	-
Due from other governments	-	-	-	149,916
Interfund receivables	3,949,536	-	-	-
Inventory	448,686	-	-	284,942
Total Assets	27,576,685	4,894	238,430	11,107,690
LIABILITIES:				
Accounts payable	301,176	-	-	39,096
Accrued payroll liabilities	4,237,127	2,096	-	151,633
Deposits held for others	5,613	-	-	-
Interfund payables	-	-	-	-
Total Liabilities	4,543,916	2,096	-	190,729
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue-property taxes	40,412	-	-	-
Unavailable revenue-grants	-	-	-	-
Total Deferred Inflows of Resources	40,412	-	-	-
FUND BALANCES:				
Nonspendable	448,686	-	-	284,942
Restricted	-	2,798	101,340	977,417
Committed	-	-	-	-
Assigned	11,276,650	-	137,090	9,654,602
Unassigned	11,267,021	-	-	-
Total Fund Balances	22,992,357	2,798	238,430	10,916,961
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 27,576,685	\$ 4,894	\$ 238,430	\$ 11,107,690

The accompanying notes are an integral part of these financial statements

Title I 24101	Bond Building 31100	Debt Service 41000	Other Governmental Funds	Total Primary Government
\$ -	\$ 24,509,475	\$ 10,254,497	\$ 10,988,105	\$ 79,796,899
-	-	1,637,434	558,829	2,246,060
1,544,648	-	-	4,652,623	6,347,187
-	-	-	-	3,949,536
-	-	-	-	733,628
<u>1,544,648</u>	<u>24,509,475</u>	<u>11,891,931</u>	<u>16,199,557</u>	<u>93,073,310</u>
348	2,785,602	-	334,921	3,461,143
261,106	-	-	385,836	5,037,798
-	-	-	-	5,613
1,283,194	-	-	2,666,342	3,949,536
<u>1,544,648</u>	<u>2,785,602</u>	<u>-</u>	<u>3,387,099</u>	<u>12,454,090</u>
-	-	1,344,895	457,359	1,842,666
-	-	-	1,021,847	1,021,847
-	-	1,344,895	1,479,206	2,864,513
-	-	-	-	733,628
-	3,367,018	10,547,036	4,896,177	19,891,786
-	-	-	23,453	23,453
-	18,356,855	-	6,791,962	46,217,159
-	-	-	(378,340)	10,888,681
-	<u>21,723,873</u>	<u>10,547,036</u>	<u>11,333,252</u>	<u>77,754,707</u>
<u>\$ 1,544,648</u>	<u>\$ 24,509,475</u>	<u>\$ 11,891,931</u>	<u>\$ 16,199,557</u>	<u>\$ 93,073,310</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
GOVERNMENTAL FUNDS

Exhibit B-1
 (Page 2 of 2)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

	Governmental Funds
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 77,754,707
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	282,729,686
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the Statement of Activities	1,842,666
Unavailable deferred revenues from grant funds not reimbursed within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the Statement of Activities	1,021,847
Bond original issue discounts and premiums are not financial resources and, therefore, are not reported in the funds	
Bond underwriter discounts net of accumulated amortization	149,800
Bond underwriter premiums net of accumulated amortization	(1,402,471)
Accrued interest is not due and payable with current financial resources and, therefore, is not reported in the funds	(413,039)
Certain liabilities, including bonds payable and lease purchase notes, are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(1,295,769)
General obligation bonds and lease purchase notes	(48,335,000)
Net Position - Total Governmental Activities	\$ 312,052,427

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Operational Fund			
	General 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000
<i>Revenues:</i>				
Property taxes	\$ 340,214	\$ -	\$ -	\$ -
State grants	96,495,137	4,986,724	810,831	201,341
Federal grants	595,852	-	-	9,599,341
Charges for services	164,056	-	2,901	237,496
Miscellaneous	266,035	-	-	-
Interest	6,838	-	-	4,481
<i>Total revenues</i>	<u>97,868,132</u>	<u>4,986,724</u>	<u>813,732</u>	<u>10,042,659</u>
<i>Expenditures:</i>				
Current:				
Instruction	60,487,294	-	1,109,495	-
Support Services				
Students	8,977,039	-	-	-
Instruction	3,889,648	-	-	-
General Administration	514,542	-	-	-
School Administration	6,333,226	-	-	-
Central Services	2,078,510	-	-	-
Operation & Maintenance of Plant	11,453,716	-	-	-
Student Transportation	-	4,989,986	-	-
Other Support Services	169,608	-	-	-
Food Services Operations	6,771	-	-	8,140,286
Community Service	27,213	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<i>Total expenditures</i>	<u>93,937,567</u>	<u>4,989,986</u>	<u>1,109,495</u>	<u>8,140,286</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>3,930,565</u>	<u>(3,262)</u>	<u>(295,763)</u>	<u>1,902,373</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Premiums on bonds issued	-	-	-	-
Return of cash to PED	-	(6,060)	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(6,060)</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>3,930,565</u>	<u>(9,322)</u>	<u>(295,763)</u>	<u>1,902,373</u>
<i>Fund balances - beginning of year</i>	<u>19,061,792</u>	<u>12,120</u>	<u>534,193</u>	<u>9,014,588</u>
<i>Fund balances - end of year</i>	<u>\$ 22,992,357</u>	<u>\$ 2,798</u>	<u>\$ 238,430</u>	<u>\$ 10,916,961</u>

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

Title I 24101	Bond Building 31100	Debt Service 41000	Other Governmental Funds	Total Primary Government
\$ -	\$ -	\$ 10,349,815	\$ 3,327,164	\$ 14,017,193
-	38,509,473	-	5,085,151	146,088,657
9,181,024	-	-	6,711,300	26,087,517
-	12,325	-	616,957	1,033,735
-	-	-	1,051,311	1,317,346
-	27,776	-	1,985	41,080
<u>9,181,024</u>	<u>38,549,574</u>	<u>10,349,815</u>	<u>16,793,868</u>	<u>188,585,528</u>
7,524,658	-	-	6,949,606	76,071,053
887,583	-	-	1,608,495	11,473,117
383,777	-	-	1,660,567	5,933,992
147,819	-	102,804	284,364	1,049,529
3,787	-	-	79,372	6,416,385
225,384	-	-	40,746	2,344,640
8,016	-	-	24,968	11,486,700
-	-	-	254,632	5,244,618
-	-	-	-	169,608
-	-	-	352,314	8,499,371
-	-	-	166,085	193,298
-	56,659,108	-	6,574,619	63,233,727
-	-	9,395,000	1,750,000	11,145,000
-	-	1,265,231	17,928	1,283,159
-	-	66,563	-	66,563
<u>9,181,024</u>	<u>56,659,108</u>	<u>10,829,598</u>	<u>19,763,696</u>	<u>204,610,760</u>
-	(18,109,534)	(479,783)	(2,969,828)	(16,025,232)
-	18,002	-	(18,002)	-
-	9,500,000	-	3,750,000	13,250,000
-	-	271,611	-	271,611
-	-	-	(5,597)	(11,657)
<u>-</u>	<u>9,518,002</u>	<u>271,611</u>	<u>3,726,401</u>	<u>13,509,954</u>
-	(8,591,532)	(208,172)	756,573	(2,515,278)
-	30,315,405	10,755,208	10,576,679	80,269,985
<u>\$ -</u>	<u>\$ 21,723,873</u>	<u>\$ 10,547,036</u>	<u>\$ 11,333,252</u>	<u>\$ 77,754,707</u>

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

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STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B-2
(Page 2 of 2)

	Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (2,515,278)
Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.	
Depreciation expense	(12,651,057)
Capital Outlays	57,180,640
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in deferred inflows of resources related to property taxes receivable	(245,764)
Change in deferred inflows of resources related to grants	1,021,847
The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 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.	
Amortization of bond premiums/(discounts)	238,535
Premium on bonds issued	(271,611)
Decrease in accrued interest payable	28,668
Decrease in accrued compensated absences	14,614
Bond proceeds	(13,250,000)
Principal payments on bonds	<u>11,145,000</u>
Change in Net Assets-total Governmental Activities	<u><u>\$ 40,695,594</u></u>

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
GENERAL FUND

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2014

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ 321,481	\$ 321,481	\$ 337,584	\$ 16,103
State grants	96,486,985	96,486,985	96,495,137	8,152
Federal grants	10,000	10,000	595,852	585,852
Miscellaneous	146,750	146,750	266,035	119,285
Charges for Services	117,000	117,000	164,056	47,056
Interest	7,500	7,500	6,838	(662)
<i>Total revenues</i>	<u>97,089,716</u>	<u>97,089,716</u>	<u>97,865,502</u>	<u>775,786</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	65,736,700	66,219,738	60,490,112	5,729,626
Support Services				
Students	10,147,251	10,159,855	8,975,599	1,184,256
Instruction	4,360,354	4,379,917	3,889,116	490,801
General Administration	756,569	756,569	500,450	256,119
School Administration	6,415,038	6,439,638	6,349,911	89,727
Central Services	2,283,867	2,293,067	2,079,754	213,313
Operation & Maintenance of Plant	12,663,209	13,264,159	11,447,407	1,816,752
Student Transportation	-	-	-	-
Other Support Services	2,402,562	8,047,689	133,439	7,914,250
Food Services Operations	-	15,000	6,771	8,229
Community Services	132,361	148,961	27,213	121,748
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>104,897,911</u>	<u>111,724,593</u>	<u>93,899,772</u>	<u>17,824,821</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(7,808,195)</u>	<u>(14,634,877)</u>	<u>3,965,730</u>	<u>18,600,607</u>
<i>Other financing sources (uses):</i>				
Designated cash	7,808,195	14,634,877	-	(14,634,877)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>7,808,195</u>	<u>14,634,877</u>	<u>-</u>	<u>(14,634,877)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>3,965,730</u>	<u>3,965,730</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>22,459,521</u>	<u>22,459,521</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,425,251</u>	<u>\$ 26,425,251</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			2,630	
Adjustments to expenditures			(37,795)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 3,930,565</u>	

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
TRANSPORTATION FUND

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 FOR THE YEAR ENDING JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	4,779,275	4,986,724	4,986,724	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>4,779,275</u>	<u>4,986,724</u>	<u>4,986,724</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	4,779,275	4,992,784	4,989,986	2,798
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,779,275</u>	<u>4,992,784</u>	<u>4,989,986</u>	<u>2,798</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(6,060)</u>	<u>(3,262)</u>	<u>2,798</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	6,060	-	(6,060)
Operating transfers	-	-	-	-
Return of cash to PED	-	-	(6,060)	(6,060)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>6,060</u>	<u>(6,060)</u>	<u>(12,120)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(9,322)</u>	<u>(9,322)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>13,415</u>	<u>13,415</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,093</u>	<u>\$ 4,093</u>
<i>Reconciliation to GAAP Basis:</i>				
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (9,322)</u>	

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
INSTRUCTIONAL MATERIALS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDING JUNE 30, 2014

	<u>Budgeted Amounts</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	725,965	846,080	930,945	84,865
Federal grants	-	-	-	-
Miscellaneous	-	-	2,901	2,901
Interest	-	-	-	-
<i>Total revenues</i>	<u>725,965</u>	<u>846,080</u>	<u>933,846</u>	<u>87,766</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	725,965	1,260,159	1,109,495	150,664
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>725,965</u>	<u>1,260,159</u>	<u>1,109,495</u>	<u>150,664</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(414,079)</u>	<u>(175,649)</u>	<u>238,430</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	414,079	-	(414,079)
Operating transfers	-	-	-	-
Return of cash to PED	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>414,079</u>	<u>-</u>	<u>(414,079)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(175,649)</u>	<u>(175,649)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>414,079</u>	<u>414,079</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,430</u>	<u>\$ 238,430</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			(120,114)	
No adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (295,763)</u>	

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
FOOD SERVICES FUND

Exhibit C-4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 FOR THE YEAR ENDING JUNE 30, 2014

	<u>Budgeted Amounts</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	150,000	150,000	201,341	51,341
Federal grants	7,950,000	7,950,000	8,815,825	865,825
Miscellaneous	170,500	170,500	237,496	66,996
Interest	5,500	5,500	4,481	(1,019)
<i>Total revenues</i>	<u>8,276,000</u>	<u>8,276,000</u>	<u>9,259,143</u>	<u>983,143</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	13,600,241	16,950,012	7,411,956	9,538,056
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>13,600,241</u>	<u>16,950,012</u>	<u>7,411,956</u>	<u>9,538,056</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(5,324,241)</u>	<u>(8,674,012)</u>	<u>1,847,187</u>	<u>10,521,199</u>
<i>Other financing sources (uses):</i>				
Designated cash	5,324,241	8,674,012	-	(8,674,012)
Operating transfers	-	-	-	-
Return of cash to PED	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>5,324,241</u>	<u>8,674,012</u>	<u>-</u>	<u>(8,674,012)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>1,847,187</u>	<u>1,847,187</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>8,808,009</u>	<u>8,808,009</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,655,196</u>	<u>\$ 10,655,196</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			783,516	
Adjustments to expenditures			(728,330)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 1,902,373</u>	

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
TITLE I SPECIAL REVENUE FUND

Exhibit C-5

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 FOR THE YEAR ENDING JUNE 30, 2014

	<u>Budgeted Amounts</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	8,061,006	10,215,679	10,004,496	(211,183)
Miscellaneous	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>8,061,006</u>	<u>10,215,679</u>	<u>10,004,496</u>	<u>(211,183)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	5,966,214	8,338,769	7,524,658	814,111
Support Services				
Students	983,399	958,663	887,583	71,080
Instruction	515,869	450,869	383,663	67,206
General Administration	140,977	175,952	147,819	28,133
School Administration	500	7,000	3,787	3,213
Central Services	274,547	257,926	225,384	32,542
Operation & Maintenance of Plant	14,500	20,500	8,016	12,484
Student Transportation	165,000	6,000	-	6,000
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,061,006</u>	<u>10,215,679</u>	<u>9,180,910</u>	<u>1,034,769</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>823,586</u>	<u>823,586</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Return of cash to PED	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>823,586</u>	<u>823,586</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(2,099,639)</u>	<u>(2,099,639)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,276,053)</u>	<u>\$ (1,276,053)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			(823,472)	
Adjustments to expenditures			(114)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
AGENCY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

Exhibit D-1

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 112,978	\$ 652,766
Due from other funds	17,259	-
	<u>130,237</u>	<u>652,766</u>
<i>Total assets</i>		
LIABILITIES		
<i>Current Liabilities</i>		
Due to other funds/external parties	17,259	-
Deposits held in trust for others	-	652,766
	<u>17,259</u>	<u>652,766</u>
<i>Total liabilities</i>		
NET POSITION		
Restricted - held in trust for other purposes	<u>112,978</u>	<u>-</u>
<i>Total net position</i>	<u>112,978</u>	<u>-</u>
<i>Total liabilities and net position</i>	<u>\$ 130,237</u>	<u>\$ 652,766</u>

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AGENCY FUNDS
JUNE 30, 2014

Exhibit D-2

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment earnings	\$ 628
Contributions & donations from private sources	17,624
Total additions	<u>18,252</u>
Deductions:	
Miscellaneous operating	2,646
Scholarships	9,500
Total deductions	<u>12,146</u>
Change in net position	6,106
Total beginning net position	<u>106,872</u>
Total ending net position	<u><u>\$ 112,978</u></u>

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies

The Gadsden Independent Schools was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the NM Public Education Department and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

The School Board operates twenty-one schools within the District. In conjunction with the regular education programs, all of these schools offer special education. In addition, the School Board provides transportation for the students.

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 Gadsden Independent Schools' management, who is responsible for their integrity and objectivity. The financial statements of the Gadsden Independent Schools (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

During the year ended June 30, 2013, the District began the adoption of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, in which the District restated amounts that were previously considered bond issuance costs and accumulated amortization. During the year ended June 30, 2014, the District fully implemented GASB Statement No. 65 to reflect deferred inflow of resources for property taxes and grants. GASB Statement No. 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities.

A. Financial Reporting Entity

The reporting entity defined for the District changed significantly from the prior year due to the Anthony Charter School no longer being a component unit of the District. The Charter School elected to renew its charter under the New Mexico Public Education Department beginning July 1, 2013. The discrete presentation of the Charter School is no longer reflected on the government-wide financial statements. This change resulted in not including the Anthony Charter School's net position at June 30, 2013 of \$947, 442 and not including any related activity for the fiscal year ended June 30, 2014.

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

The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

A. Financial Reporting Entity (continued)

criterion used to evaluate the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has one component unit as described in the following paragraphs, and is not a component unit of another governmental agency.

The Gadsden Foundation Inc. is a blended presented component unit of the District, as defined by GASB Statements No. 14, as amended by GASB Statement No. 39, and has a separate governing board. The Foundation does not issue separate financial statements. The Foundation is governed by a fifteen member board composed of the Superintendent of the District, eleven appointed members, and four officers.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Gadsden Independent Schools does not have business-type activities as of June 30, 2014.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – Net investment in capital assets, restricted net position and unrestricted net position.

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*.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements. The District does not have any enterprise funds.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

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

Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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

Operational Funds:

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

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

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

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

The *Food Service Fund* is used to account for income from meal sales, State and Federal reimbursements and to make cash disbursements for activities dealing with preparation and serving of meals. Authority for the creation of this fund is the New Mexico Public Education Department.

Title I (24101) – The major objectives of the Title I program are to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criterion that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part A (Public Law 107-110).

The *Bond Building Capital Projects Fund* is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

Additionally, the government reports the following fund types:

Fiduciary Funds:

The fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. These funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or student organizations.

The *Private Purpose Trust Fund* is used to account for monies bequeathed by a former teacher, Machree Causey, to provide for a scholarship each year to a graduating senior from Gadsden High School who has shown an interest in business subjects. This fund also accounts for monies bequeathed by Jim O'Toole to provide scholarships to students from Santa Teresa High School and Gadsden High School to be given based on recommendations by School Administrators. The principal amounts are to be maintained intact and invested. Investment earnings are to be used for the scholarships. Funds related to the private purpose trust fund are held in one account in conjunction with the Gadsden Foundation, Inc. However, for reporting purposes the amounts are reported separately.

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

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

The *Gadsden Foundation, Inc* is a blended component unit used to account for donations and charitable contributions received for the purpose of providing scholarships to eligible graduates of the District and for the general support of the Gadsden Independent School District.

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

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with the 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 in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Assets, Liabilities and Net Position or Equity

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

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the Pool is the same as the fair value of the pool shares. As of June 30, 2014, the District did not hold any pool shares in the State Treasurer's Investment Pool

Restricted Assets: Restricted assets are those that are set aside for restrictions resulting from enabling legislation for future capital outlay expenditures and debt service payments. The District's restricted assets are made up of all capital project and debt service funds.

Receivables and Payables: Inter-fund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost,

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Position or Equity - (Continued)

charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Dona Ana and Otero Counties. The funds are collected by the County Treasurer and are remitted to the District in the following month. Under the modified accrual method of accounting, the amount remitted by the Dona Ana and Otero County Treasurer's in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2014. Period of availability is deemed to be sixty days subsequent to year end.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. As of June 30, 2014, the District does not have any prepaid items.

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 in the State Board of Education 'State Adopted Instructional Material' 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 adopted list. The Districts are allowed to carry forward unused textbook funds from year to year.

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

The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The District was a phase II government for purposes of implementing GASB Statement No. 34. However, the District does not have any infrastructure assets to report.

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Position or Equity - (Continued)

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. Library books are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2014.

Capital expenditures made on the District's building construction projects by the New Mexico Public School Facilities Authority are included in the District's capital assets as appropriate.

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

Land improvements	20 years
Buildings/building improvements	10-50 years
Furniture and equipment	5-20 years
Vehicles	10-20 years

Accrued Payroll Liabilities: In the fund financial statements, governmental fund types recognize the accrual of unpaid salaries, wages, and benefits that employees earned prior to the end of the fiscal year. The amount recognized in the fund financial statements represents the amounts due to employees or due to third parties for the employee benefits.

Deferred Inflow of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has two types of items, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, unavailable revenue – property taxes and unavailable revenue - grants, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$1,842,666 related to property taxes and \$1,021,847 related to grants that are considered “unavailable”.

Compensated Absences: Qualified employees are entitled to earn and accumulate annual leave according to a graduated leave schedule of up to 40 days per year, depending on length of service, the employee's hire date, and employment status. Employees may accumulate and carry forward, from one fiscal year to the next, up to 40 days of annual leave. Upon termination, employees will be paid for up to 40 days of accrued annual leave depending on employment status.

Qualified employees are entitled to accumulate general leave according to a graduated leave schedule of up to 15 days per year with no limit on the amount to be carried forward, depending on length of service, the employee's hire date, and employment status. Effective May 2013, employees will be paid for unused general leave upon retirement, on a graduated scale for accumulated days over 30, provided they meet specific criteria based on years of service.

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Position or Equity - (Continued)

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is inconsequential.

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

Net Position and Fund Equity: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of the District's fund balances is presented in Note 18.

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

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

Restricted Net Position: Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

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

The government-wide Statement of Net Position reports \$57,373,891 of restricted net assets related to grants, capital projects and debt service.

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

All other 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.

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

D. Assets, Liabilities and Net Position or Equity - (Continued)

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. Significant estimates affecting the District's financials include management's estimate of the useful lives of capital assets.

E. Revenues

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program 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 Secretary of the Public Education Department. The District received \$96,495,137 in state equalization guarantee distributions during the year ended June 30, 2014.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be 'measurable' and 'available' on a modified accrual basis. The District recognized \$14,017,193 in tax revenues during the year ended June 30, 2014. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Dona Ana and Otero Counties collect County, City, and School taxes and distributes them to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Secretary of the Public Education Department. 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 \$4,986,724 in transportation distributions during the year ended June 30, 2014.

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 materials listed in the State Board of Education "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2014 totaled \$810,831.

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies - (Continued)

E. Revenues - (Continued)

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

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

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

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

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

During the year ended June 30, 2014, the District did not receive any special capital outlay funds.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The district received \$2,116,767 in state SB-9 matching during the year end June 30, 2014.

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

The District also receives revenues from Federal departments which are unrestricted to expenditures for special purposes. These revenues are reported in the Operational Fund.

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

These budgets are prepared on the Non-GAAP (Cash) budgetary 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. Because 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 designated portion of the fund balance.

Actual expenditures may not exceed the budget at the function level. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series,' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from the New Mexico Public Education Department.

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

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

1. In April or May, the local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAB and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAB.
6. 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 New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAB.

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. Stewardship, Compliance and Accountability - (Continued)

Budgetary Information - (Continued)

8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Gadsden Independent Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. 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.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual function.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2014, is presented.

The appropriated budget for the year ended June 30, 2014, was properly amended by the Board of Education throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (7,808,195)	\$ (14,634,877)
Transportation Fund	\$ -	\$ (6,060)
Instructional Materials Fund	\$ -	\$ (414,079)
Food Services Fund	\$ (5,324,241)	\$ (8,674,012)
Title I Fund	\$ -	\$ -
Bond Building Fund	\$ (37,984,795)	\$ (40,473,108)
Debt Service Fund	\$ (9,804,870)	\$ (10,532,041)
Other Governmental Funds	\$ (10,096,917)	\$ (12,105,073)

The District is required to balance its budgets each year. Accordingly, amounts in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in the individual budgetary comparison.

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. Deposits and Temporary Investments

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2014.

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than 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.

The collateral pledged is listed on Schedule II 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 Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Primary Government

Deposits:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978.) At June 30, 2014, \$23,239,410 of the District's deposits of \$24,199,410 was exposed to custodial credit risk. \$17,613,571 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. As of June 30, 2014, \$5,625,839 is uninsured and uncollateralized. As of June 30, 2014, the carrying amount of these deposits was \$22,258,525; total amount of deposits of \$24,199,410 less outstanding items of \$1,940,885. 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 a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	<u>Wells Fargo</u>	<u>Bank of the West</u>	<u>First American Bank</u>	<u>Total</u>
Total amounts of deposits	\$ 11,720,003	\$12,269,407	\$ 210,000	\$24,199,410
FDIC coverage	<u>(500,000)</u>	<u>(250,000)</u>	<u>(210,000)</u>	<u>(960,000)</u>
Total uninsured public funds	<u>\$ 11,220,003</u>	<u>\$12,019,407</u>	<u>\$ —</u>	<u>\$ 23,239,410</u>
Pledged collateral held by pledging bank's trust department or agent but not in agency's name	<u>5,594,164</u>	<u>12,019,407</u>	<u>—</u>	<u>17,613,571</u>
Uninsured and uncollateralized	<u>\$ 5,625,839</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,625,839</u>

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. Deposits and Temporary Investments – (Continued)

Deposits: (Continued)

Collateral requirement (50% of uninsured public funds)	\$ 5,610,002	\$ 6,009,704	—	11,619,706
Pledged security	<u>5,594,164</u>	<u>12,852,554</u>	<u>206,911</u>	<u>18,653,629</u>
Total under (over) collateralized	<u>\$ 15,838</u>	<u>\$ (6,842,850)</u>	<u>\$ (206,911)</u>	<u>\$ (7,033,923)</u>

Certificates of deposits with maturity dates of three months or less were included in the total amount of deposits.

Temporary Investments:

As of June 30, 2014, the District had the following temporary investing and maturities:

<u>Temporary Investment Types</u>	<u>Fair Value</u>	<u>Temporary Investments</u> <u>Maturities Less than 1 year</u>
Repurchase Agreements	\$ 45,190,723	\$ 45,190,723
US Obligations Money Market	1,000,005	1,000,005
US Treasury Bills/Notes	12,000,037	12,000,037

Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one hundred and two percent of the amount on deposit with the institution. The schedule listed below discloses requirements on reporting the insured portion of the District's repurchase agreements.

	<u>Wells</u> <u>Fargo</u>	<u>Bank of</u> <u>the West</u>	<u>First American</u> <u>Bank</u>	<u>Total</u>
Repurchase Agreements				
Total amount of deposits	\$ 42,887,943	\$ —	\$ 2,302,780	\$ 45,190,723
FDIC coverage	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total uninsured public funds	<u>\$ 42,887,943</u>	<u>\$ —</u>	<u>\$ 2,302,780</u>	<u>\$ 45,190,723</u>
Collateral requirement (102% of uninsured public funds)	\$ 43,745,702	\$ —	\$ 2,348,836	\$ 46,094,538
Pledged security	<u>43,745,702</u>	<u>—</u>	<u>3,615,720</u>	<u>47,361,422</u>
Under (over) collateralized	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,266,884</u>	<u>\$ 1,266,884</u>

Custodial credit risk – Temporary Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its temporary investments or collateral securities that are in the possession of an outside party. Of the District's \$45,190,723 temporary investment in repurchase agreements, the entire balance of underlying securities are held by the investment's counterparty not in the name of the District. The District's policy related to temporary investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The carrying value of the District's temporary investments in repurchase agreements at June 30, 2014 was \$45,190,723.

	<u>US Treasury</u> <u>Bills/Notes/Money Market</u>
US Obligations Money Market	\$ 1,000,005
US Treasury Bills/Notes	<u>12,000,037</u>
Total amount of temporary investments	<u>\$ 13,000,042</u>

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. Deposits and Temporary Investments - (Continued)

Temporary Investments: (Continued)

At June 30, 2014, the District recognized an unrealized gain of \$1,597 on its temporary investment in US Treasury Bills/Notes. Collateralization of the temporary investment in US Treasury obligations was not required as they are held in the name of the District.

The US Treasury Bills/Notes carry a market interest rate and have original maturity dates ranging from ninety days to one year. The credit risk rating was not available at this time.

Interest Rate Risk for Temporary Investments. The District does not have a written policy for limiting interest rate risk. However, the average maturity of certificates of deposit and US Treasury Bills/Notes is twelve months or less, which is an effective limit of interest rate risk.

Reconciliation of Deposits and Temporary Investments

Statement of Net Position

Cash and cash equivalents per Exhibit B-1	
Governmental Activities	\$ 79,796,899
Statement of Fiduciary Net Position – cash and cash equivalents per Exhibit D-1	652,766
	80,449,665
Outstanding checks and other reconciling items	1,940,885
	82,390,550
Less petty cash	(375)
Bank balance of deposits and temporary investments	\$ 82,390,175

NOTE 4. Receivables

Receivables as of June 30, 2014 are as follows:

Primary Government:

	General	Food Services	Title I	Bond Building
Property Taxes	\$ 49,797	\$ -	\$ -	\$ -
Intergovernmental	-	149,916	1,544,648	-
Totals by category	\$ 49,797	\$ 149,916	\$ 1,544,648	\$ -
	Debt	Other	Total	
	Service	Governmental	Primary	
	Funds	Government	Government	
Property Taxes	\$ 1,637,434	\$ 558,829	\$ 2,246,060	
Intergovernmental	-	4,652,623	6,347,187	
Totals by Category	\$ 1,637,434	\$ 5,211,452	\$ 8,593,247	

The above receivables are deemed 100% collectible. In accordance with GASB Statement No. 33, property taxes and grants receivable are presented net of deferred inflow of resources in the amount of \$1,842,666 and \$1,021,847, respectively, on the governmental fund financial statements.

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. Interfund Receivables, Payables, and Transfers

The District had the following operating transfers for the year ended June 30, 2014.

Governmental Activities:	<u>Transfers Out</u>	<u>Transfers In</u>
Building Fund	\$ —	\$ 18,002
Total Non-Major Governmental Funds	18,002	—

The District records temporary interfund receivable and payables to enable the funds to operate until grant monies are received. The composition of interfund balances as of June 30, 2014 is as follows:

Governmental Activities:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	\$ 3,949,536	\$ —
Food Services Fund	—	—
Title I Fund	—	1,283,194
Bond Building Fund	—	—
Nonmajor Funds:		
Special Revenue Funds	—	2,650,379
Capital Project Funds	—	15,963
	<u>—</u>	<u>15,963</u>
 Total Governmental Activities	 <u>\$ 3,949,536</u>	 <u>\$ 3,949,536</u>

All Interfund balances are to be paid within one year.

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2014</u>
Capital Assets used in Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 2,559,939	\$ —	\$ —	\$ —	\$ 2,559,939
Construction in progress	<u>8,284,943</u>	<u>14,419,292</u>	<u>—</u>	<u>(10,612,202)</u>	<u>12,092,033</u>
Total assets not being depreciated	<u>10,844,882</u>	<u>14,419,292</u>	<u>—</u>	<u>(10,612,202)</u>	<u>14,651,972</u>
Land improvements	13,430,493	201,213	—	567,970	14,199,676
Buildings and building improvements	179,054,792	41,746,693	—	129,105,121	349,906,606
Furniture, fixtures & equipment	<u>20,975,094</u>	<u>813,442</u>	<u>—</u>	<u>—</u>	<u>21,788,536</u>
Total assets being depreciated	<u>213,460,379</u>	<u>42,761,348</u>	<u>—</u>	<u>129,673,091</u>	<u>385,894,818</u>
Total assets	<u>\$ 224,305,261</u>	<u>\$ 57,180,640</u>	<u>\$ —</u>	<u>\$ 119,060,889</u>	<u>\$ 400,546,790</u>

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. Capital Assets – (Continued)

Less Accumulated Depreciation:

Land improvements	\$ 6,443,798	\$ 907,107	\$ —	\$ (1,133,890)	\$ 6,217,015
Buildings and building improvements	76,595,914	11,216,300	—	5,421,251	93,233,465
Furniture, fixtures & equipment	<u>18,673,610</u>	<u>527,650</u>	<u>—</u>	<u>(834,636)</u>	<u>18,356,624</u>
 Total accumulated depreciation	 <u>\$ 101,713,322</u>	 <u>\$ 12,651,057</u>	 <u>\$ —</u>	 <u>\$ 3,452,725</u>	 <u>\$ 117,817,104</u>
 Net Capital Assets	 <u>\$ 122,591,939</u>	 <u>\$ 44,529,583</u>	 <u>\$ —</u>	 <u>\$ 115,608,164</u>	 <u>\$ 282,729,686</u>

Capital assets, net of accumulated depreciation, at June 30, 2014 appear in the Statement of Net Position and/or the Fund Statements Balance Sheets as follows: Governmental activities \$282,729,686.

Depreciation expense for the year ended June 30, 2014 was charged to governmental activities as follows:

Instruction	\$ 5,900,309
Support Services – Students	889,408
Support Services – Instruction	459,661
Support Services – General Administration	80,281
Support Services – School Administration	498,774
Central Services	181,883
Operations / Maintenance of Plant	890,107
Transportation Services	406,630
Other Support Services	10,346
Food Services	602,510
Community Services Operation	14,987
Capital Outlay	<u>2,716,161</u>
 Total depreciation expense	 <u>\$ 12,651,057</u>

NOTE 7. Long-Term Debt

General Obligation Bonds:

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of the outstanding general obligation bonds as of June 30, 2014 was \$65,555,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2014 are for governmental activities.

General obligation bonds outstanding at June 30, 2014, are comprised of the following:

	Series 8/15/2008	Series 11/24/2009	Series 11/19/2010	Series 10/26/2011
Original Issue:	\$7,000,000	\$9,075,000	\$7,250,000	\$8,250,000
Principal Due:	August 15	June 1	August 15	August 15
Interest Due:	February 15	June 1	February 15	February 15
	August 15	December 1	August 15	August 15
Interest Rates:	3.25% - 4.00%	3.00% - 4.50%	0.648% - 2.838%	2.00% - 3.00%
Maturity Date:	8/15/2018	06/01/2019	08/15/2020	8/15/2021

STATE OF NEW MEXICO
GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. Long-Term Debt – (Continued)

General Obligation Bonds: (Continued)

	Series 10/26/2011	Series 12/12/2012	Series 10/16/2013
Original Issue:	\$12,300,000	\$12,180,000	\$9,500,000
Principal Due:	August 15	August 15	August 15
Interest Due:	February 15 August 15	February 15 August 15	February 15 August 15
Interest Rates:	2.00% - 4.00%	2.00% - 3.00%	2.00% - 3.00%
Maturity Date:	08/15/2017	08/15/2022	08/15/2023

Lease Purchase Notes:

The District issues Education Technology General Obligation Lease Purchase Certificates of Participation (Lease Purchase Notes) under the terms of a lease-purchase agreement by and between the District and the New Mexico Public Schools Education Technology Assistance Foundation, LLC pursuant to the Education Technology Equipment Act, NMSA 1978, §§ 6-15A-1 to 6-15A-16 for the purchase of technology related equipment and improvements as allowed under this Act. The original amount of the outstanding lease purchase notes as of June 30, 2014 was \$3,750,000. All lease purchase notes are for governmental activities.

Lease purchase notes outstanding as of June 30, 2014, are comprised of the following:

	Series 10/16/2013	Series 06/13/2014
Original Issue:	\$2,750,000	\$1,000,000
Principal Due:	August 15	August 15
Interest Due:	February 15 August 15	February 15 August 15
Interest Rates:	0.60% - 0.80%	0.80%
Maturity Date:	8/15/2015	08/15/2015

During the year ended June 30, 2014 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due within One Year
General Obligation Bonds	\$ 44,480,000	\$ 9,500,000	\$ 9,395,000	\$ 44,585,000	\$ 9,130,000
Lease Purchase Notes	1,750,000	3,750,000	1,750,000	3,750,000	1,750,000
Compensated Absences	1,310,383	472,174	486,788	1,295,769	452,262
Total	\$ 47,540,383	\$ 13,722,174	\$ 11,631,788	\$ 49,630,769	\$ 11,332,262

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NOTE 7. Long-Term Debt – (Continued)

The annual requirements to amortize the General Obligation Bonds as of June 30, 2014, including interest payments are as follows. The interest rates range from 2.00% to 4.50% with maturity dates until August 15, 2023.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 9,130,000	\$ 1,174,519	\$ 10,304,519
2016	6,355,000	988,744	7,343,744
2017	6,350,000	799,141	7,149,141
2018	6,750,000	588,653	7,338,653
2019	5,125,000	401,965	5,526,965
2020-2024	<u>10,875,000</u>	<u>634,336</u>	<u>11,509,336</u>
Totals	<u>\$ 44,585,000</u>	<u>\$ 4,587,358</u>	<u>\$ 49,172,358</u>

The annual requirements to amortize the Lease Purchase Notes as of June 30, 2014, including interest payments are as follows. The interest rates range from 0.60% to 0.80% with maturity dates until August 15, 2015.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 1,750,000	\$ 14,628	\$ 1,764,628
2016	<u>2,000,000</u>	<u>8,000</u>	<u>2,008,000</u>
Totals	<u>\$ 3,750,000</u>	<u>\$ 22,628</u>	<u>\$ 3,772,628</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than general obligation bonds and lease purchase notes.

Compensated Absences – Administrative employees of the Schools are able to accrue a limited amount of annual leave and all employees are able to accrue an unlimited amount of general leave during the year. During fiscal year June 30, 2014, compensated absences decreased \$10,874 for annual leave and decreased \$3,740 for general leave over the prior year accrual. See Note 1 for more details.

Operating Leases – The District leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2014 was \$306,451.

NOTE 8. Risk Management

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

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NOTE 8. Risk Management – (Continued)

The NMPSIA provides coverage for up to a maximum of \$750,000,000 for each property damage claim with a \$25,000 deductible for each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$1,250,000 per occurrence for Faithful Performance. A limit of \$1,250,000 applies to Depositor’s Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, with all crime coverage subject to a \$750 deductible.

In case the NMPSIA’s assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2014, there have been no claims that have exceeded insurance coverage.

NOTE 9. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds: The District reported a deficit fund balance at June 30, 2014 in the following fund:

21 st Century – 24119	<u>\$ 378,340</u>
Total Governmental Funds	<u>\$ 378,340</u>

The deficit is expected to be funded by reimbursement from the granting agency, New Mexico Public Education Department.

- B. Excess of expenditures over appropriations: No funds of the District exceeded approved budgetary authority for the year ended June 30, 2014.
- C. Designated cash appropriations in excess of available balance: No funds of the District exceeded the budgeted cash appropriations for the year ended June 30, 2014.

NOTE 10. Pension Plan – Educational Retirement Board

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

Funding Policy:

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: 10.10% of their gross salary in fiscal year 2014; and 10.70% of their gross salary in fiscal year 2015 and thereafter.

STATE OF NEW MEXICO
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NOTE 10. Pension Plan – Educational Retirement Board – (Continued)

Funding Policy: (Continued)

Employer Contributions:

Gadsden Independent Schools contributed 13.15% of the gross covered salary in fiscal year 2014. In fiscal year 2015, Gadsden Independent Schools will contribute 13.90% of gross covered salary.

The contribution requirements of plan members and the Gadsden Independent Schools 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 contribution to ERB for the fiscal year ending June 30, 2014, 2013 and 2012 were \$9,544,454, \$8,015,055 and \$6,866,258, respectively, which equals the amount of the required contributions for the fiscal year.

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

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

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

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

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

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

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JUNE 30, 2014

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

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 are 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 Gadsden Independent Schools contributions to the RHCA for the year ended June 30, 2014, 2013 and 2012 were \$1,451,628, \$1,449,681 and \$1,329,025, respectively, which equal the required contributions for each year.

NOTE 12. Tax Sheltered Annuity Plan

The District offers its employees a tax sheltered annuity plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amount of compensation deferred under the plan are remitted by the District to the various plan administrators and the District has no further claim to these funds. Investments are managed by respective plan trustees. All contributions withheld from employees have been transferred to the annuity companies with which the employee has selected to invest their funds.

NOTE 13. Contingent Liabilities

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

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 14. Concentrations

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

NOTE 15. Subsequent Accounting Standard Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which is effective for fiscal years beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

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NOTE 15. Subsequent Accounting Standard Pronouncements – (Continued)

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operation*, which is effective for financial reporting periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations*, includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

Until now, governments have accounted for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment, generally APB Opinion No. 16, *Business Combinations*. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs.

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2014, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is October 23, 2014 which is the date on which the financial statements were available to be issued.

On September 25, 2014 the Gadsden Independent School District Board of Education passed resolutions authorizing the issuance and sale of the following debt:

Series 2014 General Obligation School Building Bonds
Bond Amount: \$9,500,000
Closing Date: 10/29/2014
Maturity Date: 8/15/2024
Interest Rate: 2.00% to 4.00%

Gadsden Independent School District authorized issuance of General Obligation School Building Bonds, Series 2014, in the amount of \$9,500,000 to provide funds for construction within the District.

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GADSDEN INDEPENDENT SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17. Prior Period Adjustment

During the year ended June 30, 2014, the District adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as asset and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities.

The District has reclassified items previously reported as deferred revenues – property taxes and deferred revenues – grants as unavailable revenue – property taxes and unavailable revenues - grants. These items are presented separately on the governmental fund financial statements.

In addition, the District has a prior period adjustment of \$(1,219,595) which is required to reinstate the net bond discounts of \$170,912 and bond premiums (\$1,390,507) as of July 1, 2013 as a result of the adoption of GASB Statement No. 65.

An additional prior period adjustment of \$115,608,164, as of July 1, 2013, was required to reflect the contributions for matching funds received from the State of New Mexico for buildings and building improvements not previously recognized and the related adjustment to accumulated depreciation. The adjustment includes \$119,060,889 for additional building cost and an adjustment to accumulated depreciation for (\$5,904,289) on the additional building cost as well as an adjustment to accumulated depreciation for changes in the depreciation calculation on certain assets for \$2,451,564.

NOTE 18. Governmental Fund Balance

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

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

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

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

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

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

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

Detail relating to the fund balance classifications is displayed below:

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NOTE 18. Fund Balance (continued)

Gadsden Independent Schools

	Operational Fund							Nonmajor Governmental Funds	Total
	General 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000	Title I 24101	Bond Building 31100	Debt Service 41000		
Fund Balance:									
Nonspendable:									
Inventory	\$ 448,686	\$ -	\$ -	\$ 284,942	\$ -	\$ -	\$ -	\$ -	\$ 733,628
Restricted for:									
Student instruction	-	-	101,340	-	-	-	-	-	101,340
Student support services	-	-	-	-	-	-	-	79,732	79,732
Central office services	-	-	-	-	-	-	-	-	-
Student activities	-	-	-	-	-	-	-	65,245	65,245
School food services	-	-	-	977,417	-	-	-	-	977,417
Student transportation	-	2,798	-	-	-	-	-	-	2,798
Capital projects	-	-	-	-	-	3,367,018	-	2,682,677	6,049,695
Debt service	-	-	-	-	-	-	10,547,036	2,068,523	12,615,559
	-	2,798	101,340	977,417	-	3,367,018	10,547,036	4,896,177	19,891,786
Committed for:									
Student instruction	-	-	-	-	-	-	-	23,453	23,453
Student support services	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	23,453	23,453
Assigned for:									
Subsequent year's expenditures	11,276,650	-	137,090	9,654,602	-	18,356,855	-	6,791,962	46,217,159
Unassigned	11,267,021	-	-	-	-	-	-	(378,340)	10,888,681
Total fund balance	\$ 22,992,357	\$ 2,798	\$ 238,430	\$ 10,916,961	\$ -	\$ 21,723,873	\$ 10,547,036	\$ 11,333,252	\$ 77,754,707

NOTE 19. Commitments

The District had multiple construction projects ongoing as of the year ended June 30, 2014 that are the continue into the following fiscal year. These projects are as follows:

<u>Contract</u>	<u>Year Ending</u>	<u>Amount</u>
STHS Vocational Building Re-Roofing	2014	32,946.00
Anthony Pre-K HVAC Upgrade	2014	168,279.00
New Central Food Service Warehouse	2014	3,028,544.00
SPE Upgrades/Remodeling of Kitchen	2014	840,753.00
New Desert Pride Academy - 2012	2014	5,353,185.00
Mesquite Elementary-Partial Roof Renovation	2014	35,410.00
Total for Athletic Lighting Project @ 3 Sites Project 9973	2014	869,245.00
New Desert View Elementary	2014	89,779.00
Security/Electrical/HVAC Allocation Control Account SPE	2014	233,102.00
STMS ADA Ramps	2014	6,777.00
Anthony Elementary Irrigation Well	2014	54,175.00
Riverside Elementary Parking Lot	2014	82,469.00
Gadsden HS PhaseIII Part 2	2014	105,523.00
Gadsden High School Phase III Part 3	2014	41.00
Security/Electrical/HVAC Allocation Control Account MQE	2014	128,464.00
Riverside Elementary Kitchen Upgrade	2014	120,089.00
Security/Electric/HVAC Allocation Control Account RE	2014	48,781.00
6 New Tennis Courts CHS	2014	786,403.00
Chaparral High School Irrigation Well	2014	12,556.00
New Chaparral Elementary School	2014	21,554.00
Plumbing and HVAC Improvements Riverside Elementary	2014	72,551.00
La Union Roof Condition and Assessment	2014	1,407.00
Total Commitments		12,092,033.00

APPENDIX C

THE BOOK-ENTRY-ONLY SYSTEM

The Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Limited Book-Entry Responsibilities

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

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

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

APPENDIX D

FORMS OF CO-BOND COUNSEL OPINIONS

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TELEPHONE: 210 225-2800
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[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

\$9,500,000
GADSDEN INDEPENDENT SCHOOL DISTRICT NO. 16
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2015

We have acted as Co-Bond Counsel in connection with the issuance by the Gadsden Independent School District No. 16 (the "Issuer"), of its General Obligation School Bonds, Series 2015 in the aggregate principal amount of \$9,500,000 (the "Bonds"). We have examined those portions of the Constitution and laws of the State of New Mexico considered by us relevant to this opinion, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of the Bonds, including the form of the Bonds approved by the Issuer. We have acted as Co-Bond Counsel for the Issuer for the sole purpose of rendering an opinion with respect to the validity of the Bonds under the Constitution and laws of the State of New Mexico and with respect to the application to the Bonds of those provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as to which an opinion is rendered herein and for no other reason or purpose.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement provided to us or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement), nor have we been requested to investigate or verify, nor have we independently investigated or verified any records, data or other material relating to the financial condition or capabilities of the Issuer and have not assumed any responsibility with respect thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been authorized, issued and delivered in accordance with the Constitution and laws of the State of New Mexico and constitute valid and legally binding general obligations of the Issuer.

2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.

3. Except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We further are of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Code. In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

We call your attention to the fact that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

4. The interest on the Bonds is excluded from net income for New Mexico state income tax purposes.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

**CUDDY
&
McCARTHY**
A Limited Liability Partnership

JOHN F. MCCARTHY, JR.
JOHN F. KENNEDY
M. KAREN KILGORE
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LAURA M. CASTILLE

OF COUNSEL:
RAMON VIGIL, JR.
CHERYL D. FAIRBANKS

REPLY TO SANTA FE OFFICE

_____, 2015

An opinion in substantially the following form will be delivered by Cuddy & McCarthy, LLP, Bond Counsel, upon delivery of the Bonds, assuming no material changes in facts or law.

\$9,500,000
GADSDEN INDEPENDENT SCHOOL DISTRICT NO. 16
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2015

We have acted as Bond Counsel in connection with the issuance by the Gadsden Independent School District No. 16, Counties of Doña Ana and Otero, State of New Mexico (“Issuer”), of its General Obligation School Bonds, Series 2015 (“Bonds”) in the aggregate principal amount of \$9,500,000. In addition to examining those portions of the Constitution and laws of the State of New Mexico considered by us to be relevant to this opinion, we have reviewed certified copies of the proceedings of the Issuer and documents authorizing the release of the Bonds, including the form of Bond approved by the Issuer. We have acted as Bond Counsel for the Issuer for the sole purpose of rendering an opinion with respect to the validity of the Bonds under the Constitution and laws of the State of New Mexico, as to which an opinion is rendered herein, and for no other reason or purpose.

We have not been engaged nor have we undertaken to review the accuracy, completeness, or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto. We have not been requested to investigate or verify, nor have we independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, and we have not assumed and do not assume any responsibility with respect thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that under existing law:

1. The Bonds have been authorized, issued, and delivered in accordance with the Constitution and laws of the State of New Mexico, and constitute valid and legally binding general obligations of the Issuer.

2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds, to the extent the necessary funds are not provided from other sources.

3. The interest on the Bonds is excluded from base income for New Mexico State income tax purposes.

4. We express no opinion as to any federal tax consequences resulting from the ownership, carrying, or disposition of the Bonds, and in particular, no opinion is expressed as to the excludability of interest on the Bonds from the gross income of the holders, for federal tax purposes.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. Further, we express no opinion as to the federal, state, or local tax consequences arising from the enactment of any pending or future legislation.

We note that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Very truly yours,