

NEW ISSUE
Book-Entry Only
Bank Qualified

MOODY'S RATING: "A1"
MOODY'S ENHANCED RATING: "Aa1"

\$6,690,000
TAOS MUNICIPAL SCHOOL DISTRICT NO. 1
Taos County, New Mexico,
General Obligation Refunding Bonds,
Series 2016

PURPOSES

Proceeds of the Series 2016 Bonds (the "Bonds") will be used to (i) refinance a portion of the Taos Municipal School District No. 1 (the "District") General Obligation School Building Bonds, Series 2008, in accordance with Sections 6-15-1 through 6-15-28, NMSA 1978, as amended, and (ii) pay costs of issuance of the Bonds.

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 ("DTC"). Purchasers 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 March 1 and September 1, commencing September 1, 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 are the responsibility of DTC. See "The Bonds – Book-Entry Only System".

See Inside Cover Page for Maturities, Principal Amounts, Interest Rates and Yields

SECURITY

The Bonds are general obligations of the District, payable from general (ad valorem) property taxes which are required to be levied against all taxable property in the District without limitation as to rate or amount.

LEGAL

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing regulations, rulings and judicial decisions and assuming continuous compliance with certain covenants set forth in the documents pertaining to the Bonds and certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on the Bonds will not be treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Additionally, in the opinion of Bond Counsel, the Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof (see "Tax Matters" herein).

DELIVERY

When, and if issued, through DTC's facilities on or about August 10, 2016.

DATED DATE

Date of initial delivery expected to be August 10, 2016.

RBC Capital Markets

MATURITY SCHEDULE

<u>Year</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP #</u>
9/1/2016	\$130,000	2.000%	0.600%	87601UBL6
9/1/2017	5,000	2.000%	0.740%	87601UBM4
9/1/2018	10,000	2.000%	0.800%	87601UBN2
9/1/2019	575,000	3.000%	0.900%	87601UBP7
9/1/2020	590,000	3.000%	1.000%	87601UBQ5
9/1/2021	920,000	3.000%	1.150%	87601UBR3
9/1/2022	940,000	4.000%	1.300%	87601UBS1
9/1/2023	560,000	4.000%	1.400%	87601UBT9
9/1/2024	580,000	4.000%	1.500%	87601UBU6
9/1/2025	605,000	4.000%	1.600%	87601UBV4
9/1/2026	525,000	4.000%	1.650%	87601UBW2
9/1/2027	405,000	4.000%	1.700%	87601UBX0
9/1/2028	845,000	4.000%	1.750%	87601UBY8

TAOS MUNICIPAL SCHOOL DISTRICT NO. 1

310 Camino de la Placita
Taos, New Mexico 87571
(575) 758-5296

BOARD OF EDUCATION

Mr. James Sanborn, President
Mr. Mark Flores, Vice President
Ms. Whitney Goler, Secretary
Dr. David Chavez, Board Member
Mr. Jason Silva, Board Member

DISTRICT ADMINISTRATION

Dr. Lillian Torrez, Superintendent
Bobby Spinelli, Business Manager

BOND COUNSEL and DISCLOSURE COUNSEL

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MUNICIPAL ADVISOR

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Albuquerque, NM 87110
(505) 872-2320

REGISTRAR/PAYING AGENT

BOKF, NA
Corporate Trust Department
100 Sun Avenue NE, Suite 500
Albuquerque, NM 87109
(505) 222-8447

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

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.

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 Municipal Advisor as follows:

DISTRICT

310 Camino de la Placita
Taos, New Mexico 87571
(575) 758-5296
Attn: Dr. Lillian Torrez, Superintendent

MUNICIPAL ADVISOR

George K. Baum & Company
6501 Americas Parkway, NE, Suite 510
Albuquerque, NM 87110
(505) 872-2320
Attn: John D. Archuleta, Senior Vice President

TABLE OF CONTENTS

Page	Page
INTRODUCTION	1
DEBT SERVICE REQUIREMENTS	2
INTRODUCTORY STATEMENT	2
THE PAYING AGENT AND REGISTRAR	2
THE BONDS	2
Description.....	2
Authorization	3
Use of Proceeds	3
Prior Redemption	3
Payment of Principal and Interest; Record Date	3
Book-Entry Only System	4
Successor Securities Depository	5
Use of Certain Terms in Other Sections of this Official Statement	6
Transfer, Exchange and Registration	6
Source of Payment.....	6
SOURCES AND USES.....	7
BORROWING CAPACITY.....	7
DEBT & OTHER FINANCIAL OBLIGATIONS.....	7
Selected Debt Ratios.....	8
Outstanding Debt	8
Debt Service Requirements of General Obligation Bonds to Maturity.....	9
Statement of Estimated Direct and Overlapping General Obligation Bonded Debt.....	9
TAX BASE.....	9
Analysis of Assessed Valuation	9
Comparison of Full Value and Assessed Valuation	9
Reassessment	10
History of Assessed Valuation	10
Major Taxpayers	11
Tax Rates.....	11
TAOS MUNICIPAL SCHOOL DISTRICT No. 1 TAX RATES – TOTAL.....	11
HISTORICAL SUMMARY OF TAX RATES FOR BONDS	12
School Tax Rates	12
Yield Control Limitations	12
Developments Limiting Residential Property Tax Increases	13
Tax Collections	13
TAX COLLECTIONS – TAOS COUNTY.....	14
Interest on Delinquent Taxes	14
Penalty for Delinquent Taxes.....	14
Remedies Available for Non-Payment of Taxes.....	14
THE DISTRICT	15
School District Powers	15
Management	15
Insurance	16
Intergovernmental Agreements	16
School Property	16
Enrollment	16
Accreditation	16
Finances of the Educational Program	17
Sources of Revenues for General Fund	17
State Equalization Program	17
TAOS MUNICIPAL SCHOOL DISTRICT NO. 1 REVENUES, EXPENDITURES AND CHANGES IN FUND BALACE – TOTAL GOVERNMENTAL FUNDS.....	17
Special Revenue Funds	19
Debt Service.....	20
Capital Projects	20
Fiduciary Funds – Trust & Agency.....	20
District Budget Process	20
Employees and Retirement Plan	21

Post-Employment Benefits	21
FEDERAL SEQUESTER	21
Federal Subsidy Payments and Implications of Federal Sequestration and Other Factors Affecting Subsidy.....	21
LEGAL MATTERS.....	23
TAX MATTERS	24
Federal and State Tax Opinion.....	24
Internal Revenue Service Audit Program.....	24
Original Issue Premium.....	25
Qualified Tax Exempt Obligations.....	25
LITIGATION	25
RATING.....	25
NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM.....	25
CONTINUING DISCLOSURE.....	26
MUNICIPAL ADVISOR	26
UNDERWRITING.....	26
VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS	26
ADDITIONAL INFORMATION	27
OFFICIAL STATEMENT CERTIFICATION.....	27
 APPENDIX A	
AREA ECONOMIC INFORMATION.....	A-1
 APPENDIX B	
JUNE 30, 2015 FINANCIAL STATEMENT.....	B-1
 APPENDIX C	
FORM OF BOND COUNSEL OPINION.....	C-1
 APPENDIX D	
CONTINUING DISCLOSURE UNDERTAKING.....	D-1

INTRODUCTION

Thank you for your interest in learning more about the Taos Municipal School District No. 1 of Taos County, New Mexico (the “District”), and the District’s General Obligation Refunding Bonds, Series 2016 (the “Bonds”). 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 Bonds are fully registered Bonds in denominations of \$5,000 or integral multiples thereof as described in this Official Statement.

The Issuer The District is a political subdivision of the State of New Mexico (the “State”) organized for the purpose of operating and maintaining an education program for the school-age children residing within its boundaries.

The Municipal Advisor George K. Baum & Company is a privately-held corporation.

**Registrar/
Paying Agent** BOKF, NA, Albuquerque, New Mexico.

The Bonds The Bonds are general obligations of the District and paid from general ad valorem taxes, which may be levied against all taxable property within the District without limitation as to rate or amount.

Purpose The Bonds are being issued to enable the District to: (i) refinance a portion of the District’s General Obligation School Building Bonds, Series 2008 (the “Series 2008 Bonds”), in accordance with Sections 6-15-1 through 6-15-28, NMSA 1978, as amended, and (ii) pay costs of issuance of the Bonds.

Authorization The Bonds were authorized by the Board of Education of the District pursuant to a resolution of the Board adopted on June 28, 2016 (the “Resolution”).

Prior Redemption The Bonds are subject to redemption prior to their stated maturities, as more fully described herein.

Compliance The Bonds are subject to Sections 6-15-1 through 6-15-28, NMSA 1978, as amended.

DEBT SERVICE REQUIREMENTS

Calendar Year	Outstanding Debt ¹	Series 2016 Bonds		Total
		Principal	Interest	
2016	\$3,988,325	\$130,000	\$ 14,224	\$4,132,550
2017	4,147,167	5,000	241,250	4,393,417
2018	4,122,997	10,000	241,150	4,374,147
2019	4,094,857	575,000	240,950	4,910,807
2020	3,802,457	590,000	223,700	4,616,157
2021	2,866,807	920,000	206,000	3,992,807
2022	2,832,957	940,000	178,400	3,951,357
2023	2,814,007	560,000	140,800	3,514,807
2024	2,816,457	580,000	118,400	3,514,857
2025	2,818,307	605,000	95,200	3,518,507
2026	2,859,407	525,000	71,000	3,455,407
2027	2,803,657	405,000	50,000	3,258,657
2028	2,655,745	845,000	33,800	3,534,545
2029	2,415,388	-	-	2,415,388
2030	311,045	-	-	311,045
TOTAL	\$45,349,584	\$6,690,000	\$1,854,875	\$53,894,459

(1) Does not include debt service on the Refunded Bonds.

INTRODUCTORY STATEMENT

All financial and other information regarding the Taos Municipal School District No. 1 presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipt from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will continue or be repeated in the future.

THE PAYING AGENT AND REGISTRAR

BOKF, NA, Albuquerque, New Mexico, a national banking association organized under the laws of the United States of America, or its successor will serve as Paying Agent/Registrar for the lease and the Bonds. The Paying Agent/Registrar is not liable in connection with the performance of its duties except for its own negligence and willful misconduct. The Paying Agent/Registrar may resign at any time upon providing notice of resignation to the District, provided that such resignation shall become effective only upon the appointment of a successor paying agent/registrar. A bank or trust company authorized to provide corporate trust services having a combined capital (exclusive of borrowed capital) and surplus aggregating at least \$10,000,000 may be substituted as Paying Agent/Registrar.

THE BONDS

Description

The Bonds are to be issued in the total principal amount of \$6,690,000, are dated as of the Date of Delivery and will mature on September 1st, as shown on the inside cover of this Official Statement. The Bonds are issued as fully registered Bonds in denominations of \$5,000 or more, bearing interest from their Date of Delivery to maturity at the rate specified on the inside cover page of this Official Statement, payable on March 1st and September 1st, commencing on September 1, 2016.

Authorization

The Bonds are authorized pursuant to the Board's powers under Sections 6-15-1 through 6-15-28, NMSA 1978, as amended and supplemented, the Constitution and other laws of the State, and the Resolution adopted on June 28, 2016.

Use of Proceeds

Proceeds of the Bonds will be used to (i) refinance a portion of the District's General Obligation School Building Bonds, Series 2008, in accordance with the Sections 6-15-1 through 6-15-28, NMSA 1978, as amended, and (ii) pay costs of issuance of the Bonds.

Proceeds from the sale of the Bonds together with other legally available funds of the District will be used to advance refund the Series 2008 Bonds maturing on and after September 1, 2019 (the "Refunded Bonds") and to pay the costs of issuance of the Bonds. The interest due on the Refunded Bonds will be paid on the scheduled interest payment dates up to the first optional redemption date of September 1, 2018 (the "Prepayment Date") from amounts to be deposited on the closing date to an escrow fund pursuant to an Escrow Agreement (the "Escrow Agreement") between the District and BOKF, NA (the "Escrow Agent").

The Bond Legislation provides that from the proceeds of the sale of the Bonds, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the Prepayment Date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Refunded Bonds.

Causey, Demgen & Moore P.C., Certified Public Accountants, Denver, Colorado, will verify at the time of delivery of the Bonds, the mathematical accuracy of the schedules and demonstrate that the Federal Securities will mature and bear interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay the principal of and interest on the Refunded Bonds on and until the Prepayment Date. Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds. See "VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS."

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds in accordance with the requirements of the resolution authorizing the issuance of the Refunded Bonds and applicable law, and the Refunded Bonds will no longer be outstanding. The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund of any additional amounts required to pay the principal of, premium, and interest on the Refunded Bonds if, for any reason, the cash balance on deposit or scheduled to be on deposit in the Escrow Fund is insufficient to make such payments.

Prior Redemption

The Bonds maturing on or after September 1, 2027 are subject to prior redemption at par at the District's option on and after September 1, 2026, in whole or in part at any time.

Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent/Registrar. Interest on the Bonds is payable by check or draft of the Paying Agent/Registrar mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the fifteenth day of the month preceding the interest payment date (the "Regular Record Date") at the address appearing in the registration books maintained by the Paying Agent/Registrar.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York will act initially as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative,

Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Successor Securities Depository

In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Bonds, the District shall either (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owner transferring or exchanging Bonds shall designate.

Use of Certain Terms in Other Sections of this Official Statement

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

Transfer, Exchange and Registration

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 will be delivered by the Paying Agent/Registrar, in lieu of the certificate 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 note or Bonds surrendered for exchange or transfer. See "THE BONDS; Book-Entry Only System" herein.

Source of Payment

The Bonds are general obligations of the District and paid from general ad valorem taxes, which may be levied against all taxable property within the District without limitation as to rate or amount.

SOURCES AND USES

The sources and uses of funds to be received in connection with the sale of the Bonds are set forth in the following table.

SOURCES OF FUNDS:

Par Amount of Series 2016 Bonds	\$6,690,000.00
Reoffering Premium	<u>1,017,850.25</u>
TOTAL SOURCES OF FUNDS	<u>\$7,707,850.25</u>

USES OF FUNDS:

Series 2008 Escrow Fund	\$7,561,541.71
Underwriter's Discount	34,182.50
Costs of Issuance *	108,250.93
Debt Service Fund	<u>3,875.11</u>
TOTAL USES OF FUNDS	<u>\$7,707,850.25</u>

*Includes bond counsel fees, municipal advisor fees, verification agent fees, paying agent/registrars fees, escrow agent fees, rating fees, POS/OS preparation, printing fees, and other expenses.

BORROWING CAPACITY

2015 Initial Limitation (6% x \$1,114,454,011)	\$66,867,241
Less: Outstanding Direct General Obligation School Bonds ¹	(\$28,360,000)
Less: 2016 Bonds	<u>(\$6,690,000)</u>
Unused Borrowing Capacity	<u>\$31,817,241</u>

¹Does not include \$6,920,000 principal amount of the 2008 Bonds being advance refunded with the proceeds of the 2016 Bonds

DEBT AND OTHER FINANCIAL OBLIGATIONS

Article IX, Section 11 of the New Mexico Constitution and Section 22-18-1, NMSA 1978, limit the powers of the 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 six percent 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. The 2015 Assessed Valuation of taxable property within the District is \$1,114,454,011. Therefore, the maximum general obligation debt may not exceed \$66,867,241. After the Bonds are issued, the ratio of total outstanding general obligation debt of the District to the 2015 Assessed Valuation will be no greater than 52.8%.

Selected Debt Ratios:

2015 Estimated Actual Valuation (1)	\$3,343,362,033
2015 Final Assessed Valuation	\$1,114,454,011
District Net Debt as a Percentage of Actual Valuation	1.06%
Assessed Valuation	3.17%
District & Overlapping Debt as a Percentage of Actual Valuation	1.32%
Assessed Valuation	3.96%
Estimated Population	36,384
District's General Obligation Debt Outstanding (Including the Bonds)	\$35,285,000
Estimated Direct & Overlapping G/O Debt	\$44,161,341
District Net Debt Per Capita	\$970
Direct and Overlapping Debt Per Capita	\$1,213

(1) Actual valuation is computed by multiplying the 2015 assessed valuation by 3.

Outstanding Debt

The District has never defaulted in the payment of any of its general obligation bonded debt. Listed below is the District's total current outstanding general obligation bonded debt, including the Bonds.

Series	Original Amount Issued	Final Maturity	Principal Outstanding
2008 General Obligation Bonds	\$9,900,000	2028	\$ 1,560,000 ¹
2010A Taxable General Obligation School Building Bonds ²	13,000,000	2027	11,635,000
2010B Taxable General Obligation School Building Bonds ²	1,100,000	2030	1,100,000
2013 Certificates Ed. Tech. Notes, Series 2013A and 2013B	2,150,000	2016	100,000
2014 Refunding Bonds	13,250,000	2029	11,405,000
2015A Ed. Tech. Notes, Series 2015A	1,030,000	2020	1,030,000
2015B Ed. Tech. Notes, Series 2015B ² (Taxable)	1,530,000	2020	<u>1,530,000</u>
Total Direct General Obligation Bonded Indebtedness			<u>\$28,360,000</u>
2016 Refunding Bonds	<u>6,690,000</u>	2028	<u>6,690,000</u>
Total Direct General Obligation Bonded Indebtedness			<u>\$35,050,000</u>

¹Principal amount outstanding after the refunding of a portion of the 2008 Bonds with the proceeds of the Bonds.

²See discussion of Federal Sequester herein regarding subsidy payments to the District.

Debt Service Requirements of General Obligation Bonds 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 computed at the desired tax rate.

Statement of Estimated Direct and Overlapping General Obligation Bonded Debt

The following is a calculation of the direct and overlapping general obligation debt and per capita debt of the District payable from property taxes prior to issuance of the Bonds. 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>Taxing Entity</u>	<u>2015 Assessed Valuation</u>	<u>G/O Debt Outstanding</u>	<u>Percent Applicable</u>	<u>Amount</u>
State of New Mexico	\$58,791,482,390	\$389,270,000	2.34%	\$9,111,341
Taos County	1,376,086,693	0	100%	0
Town of Red River	57,010,299	0	100%	0
Taos Ski Valley	59,236,484	0	100%	0
Town of Taos	307,926,936	0	100%	0
Total Overlapping Debt				\$9,111,341
Taos Schools	1,114,454,011	35,050,000 ¹	100%	<u>35,050,000¹</u>
Total Direct and Overlapping Debt				<u>\$44,161,341</u>

¹Includes the 2016 General Obligation Refunding Bonds

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 Assessed Valuation is \$1,114,454,011. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor.

Comparison of Full Value and Assessed Valuation

Assessed Valuation of property within the Taos Municipal School District is calculated as follows: of the total estimated actual valuation of all taxable property in the District, 33 1/3% is legally subject to ad valorem taxes. After deduction of certain personal exemptions, the certified 2015 final assessed valuation is \$1,114,454,011. The actual value of personal property within the District is determined by the County Assessor in each County, and is divided into Residential and non-Residential categories. The actual value of corporate property within the District is determined by the New Mexico State Property Tax Department.

The analysis of the District's Actual Valuation and Assessed Valuation for the last five years is as follows:

<u>Tax Year</u>	<u>Total Actual Valuation</u>	<u>Total Assessed Valuation</u>
2015	\$3,343,362,033	\$1,114,454,011
2014	3,320,208,639	1,106,736,213
2013	3,233,928,570	1,088,329,942
2012	3,168,583,578	1,056,194,526
2011	3,157,463,685	1,056,836,788

Source: Taos County Assessor's Office

Reassessment

New Mexico has a state-wide property reassessment program. The program's objective is to keep property values close to their market values so that there will be a high correlation between the value of the property and its share of the tax burden. The first reassessment under this present program was in 1986, and such reassessments continue to occur biannually in the even numbered years.

History of Assessed Valuation

The following is a five-year history of Assessed Valuation for the District and the County.

<u>Tax Year</u>	<u>Taos County Assessed Valuation</u>	<u>Taos Municipal School District Assessed Valuation</u>
2015	\$1,376,086,693	\$1,114,454,011
2014	1,382,827,714	1,106,736,213
2013	1,349,589,815	1,088,329,942
2012	1,312,495,033	1,056,194,526
2011	1,320,867,382	1,056,836,788

Source: Taos County Assessor's Office

Major Taxpayers

The following is a list of the largest taxpayers in the District, along with the 2015 Assessed Valuation for each which is the most recent data available. The largest taxpayers assessed valuation is 2.45% of the total District assessed valuation.

<u>Taxpayer</u>	<u>2015 Assessed Valuation</u>
Kit Carson Electric	\$14,640,845
Tri-State Electric	4,378,136
Qwest	2,810,013
NM Gas	2,071,178
SSA Solar of New Mexico	1,970,645
Comcast	497,909
Northern Mountain	379,046
Commnet Wireless	239,089
AT&T Mobile	206,134
Vigil's Asphalt & Gravel	122,833

Source: Taos 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 2015 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.

TAOS MUNICIPAL SCHOOL DISTRICT NO. 1 TAX RATES – TOTAL (Residential)

<u>Taxing Body</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
State of New Mexico	1.360	1.360	1.360	1.360	1.362
Taos County	5.865	5.758	5.702	5.592	5.357
Town of Red River	6.072	6.142	5.879	6.175	5.879
Taos Ski Valley	7.650	7.650	3.791	7.650	3.791
Taos Municipal School District No. 1	5.452	5.302	5.265	4.559	5.599

Source: New Mexico Department of Finance and Administration, Property Tax Division

HISTORICAL SUMMARY OF TAX RATES FOR BONDS
(Residential)

<u>Taxing Body</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
State of New Mexico	1.360	1.360	1.360	1.360	1.362
Taos County	0.000	0.000	0.000	0.000	0.000
Town of Red River	0.000	0.000	0.000	0.000	0.000
Taos Ski Valley	0.000	0.000	0.000	0.000	0.000
Taos Municipal School District No. 1	2.728	2.520	2.472	2.405	3.452

Source: New Mexico Department of Finance and Administration, Property Tax Division

School Tax Rates

<u>Tax Year</u>	<u>Assessed Valuation</u>		<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Capital Improvement Levy</u>	<u>Total</u>
2015	\$1,114,454,011	Residential	0.162	3.290	2.000	5.452
		Non-Residential	0.193	3.290	2.000	5.483
2014	1,106,736,213	Residential	0.159	3.143	2.000	5.302
		Non-Residential	0.187	3.143	2.000	5.330
2013	1,077,976,190	Residential	0.157	3.108	2.000	5.265
		Non-Residential	0.186	3.108	2.000	5.294
2012	1,056,194,526	Residential	0.154	2.405	2.000	4.559
		Non-Residential	0.185	2.405	2.000	4.590
2011	1,052,487,895	Residential	0.147	3.452	2.000	5.599
		Non-Residential	0.170	3.452	2.000	5.622

Source: New Mexico Department of Finance and Administration, Property Tax Division

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 that will produce revenues that 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. However, if that percentage is less than 100%, 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, "Survey of Current Business," or any successor publication) and is a percent (not to exceed five percent) that is derived by dividing the increase in the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year. The growth control factor applies to authorized operating

levies and to any capital improvements levies but does not apply to levies for paying principal and interest on public general obligation debt.

Developments Limiting Residential Property Tax Increases

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

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

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

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

1. To property that is being valued for the first time;
2. To physical improvements made to the property in the preceding year;
3. When the property is transferred to a person other than a spouse, or a child who occupies the property as his principal residence and who qualifies for the head of household exemption on the property under the Property Tax Code;
4. When a change occurs in the zoning or use of the property; and
5. To property that is subject to the valuation limitations under Section 7-36-21.3.

On March 28, 2012, the New Mexico Court of Appeals upheld the constitutionality of the law capping residential valuation increases until a home changes ownership. The Court of Appeals' ruling has been appealed to the State Supreme Court. The New Mexico Legislature has brought up the issue of the disparity in valuations in the past several years, but has not enacted any of the bills into law. To the extent that court or legislative action is taken or a further constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property in the District.

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

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

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 installment 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:

TAX COLLECTIONS-TAOS COUNTY

Tax Collections on Local and Centrally Assessed Property in Taos County as of February 2016

<u>Tax Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Taxes Collected to Date</u>	<u>Percentage Collected</u>
2015	\$26,585,534	\$16,551,672	62.26%
2014	25,955,424	24,934,877	96.07%
2013	25,561,462	24,817,727	97.09%
2012	23,529,241	23,297,766	99.02%
2011	23,307,721	23,231,816	99.67%
2010	23,065,670	22,904,061	99.30%
2009	21,097,563	21,088,677	99.96%
2008	18,953,751	18,632,684	98.31%
2007	17,098,083	16,820,571	98.38%
2006	14,632,918	14,397,589	98.39%

Source: Taos County Treasurer

Interest on Delinquent Taxes

Pursuant to Section 7-38-49, NMSA 1978, 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 one percent per month or any fraction of a month.

Penalty for Delinquent Taxes

Pursuant to Section 7-38-50, NMSA 1978, if property taxes become delinquent, a penalty of 1% of the delinquent tax for each month, or any portion of a month, they remain unpaid 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 Section 7-38-47, NMSA 1978, 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 Section 7-38-65, NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent. Pursuant to Section 7-38-53, NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property 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 enrollment for 2015-16 is 2,878 students. There are six elementary schools, one middle school and one high school within the District. The District's educational program also includes vocational and technical training.

School District Powers

Pursuant to Sections 22-2-1 and 22-2-2.2, NMSA 1978, the District's powers are subject to regulations promulgated by the Secretary of the New Mexico Public Education Department ("PED") with the advice of the Public Education Commission. The Secretary of PED is responsible for control, management and direction of all public schools. The Public Education Commission is comprised of ten members, elected from public education districts for staggered four-year terms. Generally, the powers of the PED include determining policy of operations of all public schools; designating courses of instruction for all public schools in the State; adopting regulations for the administration of all public schools; determining qualifications for teachers, counselors, and their assistants; and prescribing minimum educational standards for all public schools. The PED may order the creation of new school districts or may require consolidation of school districts.

Management

The District Board (the "Board"), subject to regulations of the Secretary of the PED, develops educational policies for the District. The Board employs a superintendent of schools, delegates administrative and supervisory functions to the superintendent, including fixing the salaries of all employees, reviews and approves the annual District budget, has the capacity to sue and be sued, contracts, leases, purchases and sells for the District, acquires and disposes of all property, develops educational policies subject to rules of the PED, and adopts regulations pertaining to the administration of all powers or duties of the Board. Members serve without compensation for four-year terms of office in non-partisan elections held every two years on the first Tuesday in February.

The current District Board Members are:

Mr. James Sanborn, President
Mr. Mark Flores, Vice President
Ms. Whitney Goler, Secretary
Dr. David Chavez, Board Member
Mr. Jason Silva, Board Member

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

Dr. Torrez has worked in K-12 education throughout New Mexico for 38 years. She began her career in education as a special education teacher in Albuquerque for nine years. Dr. Torrez also worked as school counselor, assistant principal and principal in Albuquerque. As principal, Dr. Torrez led her school to improvement by focusing on student data to improve instruction. She strategically and systemically led a school to increase student test scores from 8% (ITBS) to 52% (ITBS) to meet AYP. Her school received the National Title I Award by the US Department of Education. While at her school, Dr. Torrez was named Principal of the Year by KOAT TV and the Boy Scouts of America Inc. After seven years of leading her school, she moved to the educational private sector for a few years to gain expertise in strategic planning, high quality instruction, creating a climate for school improvement, best practices and principles of school excellence. While she was there, she graduated from the New Mexico Aspiring Superintendents' Academy and was a finalist for New Mexico Secretary of Education. Dr. Torrez moved back to the public schools as an Assistant Superintendent. In March of 2012, she was the Superintendent of the Questa

Independent School District in Questa, New Mexico. While there, Dr. Torrez was selected as Administrator of the Year by the New Mexico National Board Teacher Network. Dr. Torrez was selected top 20 in the US by AASA (American Association of School Administrators) to participate in the two year National Superintendent Certification Program of which she graduated in February 2015. Dr. Torrez was recently selected to represent New Mexico (three-year term) on the National AASA Governing Council to lobby state and federal governments on policy issues. She is on the UNM Curriculum Committee, member of the Taos/Questa Community Guidance Council for Presbyterian Medical Services and a member of the Taos Milagro Rotary. She completed her bachelor's degree in Special Education at the University of New Mexico in Albuquerque, New Mexico, master's degree in School Counseling at New Mexico Highlands University in Las Vegas, New Mexico and holds an educational specialist (Ed. S.) degree and doctorate (Ph.D.) degree from the University of New Mexico with expertise in Educational Administration and Organizational Communication.

Insurance

The District is a member of the New Mexico State Public School Insurance Authority (the “Insurance Authority”), which was established to provide a comprehensive insurance program for school districts, board members and public school employees. 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 employees of 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

The District Administration Building is located at 310 Camino de la Placita, Taos, New Mexico 87571. Taos Municipal School District No. 1 is located in Taos County in north-central New Mexico.

Enrollment

An enrollment history of the District follows:

<u>Year</u>	<u>Enrollment</u>
2015-16	2,878
2014-15	2,862
2013-14	2,973
2012-13	2,948
2011-12	2,916
2010-11	2,963

Accreditation

The District as a whole is accredited by the North Central Association of Colleges and Secondary Schools, as well as the New Mexico PED. The District is subject to periodic monitoring by the PED and the Association to ensure continued compliance with accreditation standards.

Finances of the Educational Program

The basic format for the financial operation of the District is provided by the PED through the School Budget Planning Division, which is directed by State law to supervise and control the preparation of all budgets of all school districts. The District receives revenue from a variety of local, state and federal sources, the most important of which are described below. New Mexico's public school finance laws are subject to review and examination through 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 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 2014-15, the District received \$432,785 from property taxes, charges for services and investment income..

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 2014-15, the District received \$217,806 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 2014-15, the District received \$20,878,638 from state sources.

State Equalization Program

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 to (1) equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in an objective manner) and (2) retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The formula is divided into three basic parts:

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

State Equalization Guarantee 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 Equalization Program 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.... [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 is based on the average of the 80th/120th day membership reports. State Equalization Guarantee payments for the previous five fiscal years are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$19,744,907
2014	18,955,000
2013	18,518,741
2012	18,136,995
2011	18,062,284

The District is also reimbursed by the State for the costs of transporting pupils to and from school pursuant to the Act. These payments are based upon a formula consisting of the number of students per square mile that are transported. In 2014-15, the District received \$963,151 for transportation purposes.

TAOS MUNICIPAL SCHOOL DISTRICT NO. 1
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – TOTAL GOVERNMENTAL FUNDS

<u>Revenues</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Property Taxes	\$176,441	\$187,985	\$187,619
Charges for Services	256,631	226,875	243,775
Local Sources	--	--	--
State Source	19,525,083	20,083,786	20,878,638
Federal Sources	98,735	216,452	217,806
Investment Earnings	2,344	1,209	1,391
Miscellaneous	--	197,028	183,437
Total Revenues	<u>20,059,234</u>	<u>20,913,335</u>	<u>21,712,666</u>
<u>Expenditures</u>			
Direct Instruction	20,333,686	12,636,089	11,900,922
Support Services	--	4,882,197	4,238,402
Central Services	--	533,078	551,338
Operation and Maintenance	--	2,389,040	2,330,017
Other Support Services	--	70,777	42,920
Transportation	--	949,993	970,640
Capital Outlay	--	--	--
Debt Service	--	--	--
Total Expenditures	<u>20,333,686</u>	<u>21,461,183</u>	<u>20,034,239</u>
Excess (Deficiency) of Revenues Over Expenditures	(274,452)	(547,848)	1,678,427
<u>Other Financing Sources (Uses)</u>			
Transfers In (Out)	--	--	--
Total	--	--	--
Net Changes in Fund Balances	--	--	--
Fund Balance at Beginning of Year	<u>1,673,136</u>	<u>1,338,526</u>	<u>841,826</u>
Restatement	(60,158)	51,148	--
Fund Balance at End of Year	<u>\$1,338,526</u>	<u>\$841,826</u>	<u>\$2,520,253</u>

Source: The figures for fiscal years ended June 30, 2013, 2014, and 2015 have been excerpted from the District's audits. Such figures are excerpts and do not purport to be complete. The figures are presented for information purposes only.

Special Revenue Funds

The Special Revenue Fund accounts are used to account for grant funds received from various sources that are legally required to be used for purposes specified in the grant awards and may not be used for any other purpose.

Debt Service

Debt service funds are used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The County remits property taxes collected on locally assessed and centrally assessed property to the District as one lump sum and does not break down the amounts as to principal or interest reduction in accordance with instructions from the PED.

Capital Projects

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

The Capital Projects Fund which consists of the General Building Fund accounts for the resources and major costs of capital improvements in the District such as erecting, remodeling, making additions to and furnishing school buildings and purchasing and improving school grounds. Revenue is provided through general obligation bonds and earnings on investments.

Fiduciary Funds – Trust & Agency

These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

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

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

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

To conform to PED's requirements, budgets for all funds of the District are adopted on the cash basis of accounting. 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 18 administrators, approximately 162 teachers and other professional instructional personnel, and 180 non-certified personnel.

Pension Plan

Employees of the District participate in a public employee retirement system authorized under the Educational Retirement Act ("ERA"). The Educational Retirement Board ("ERB"), pursuant to Section 22-11-6, NMSA 1978, is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>District</u> <u>Contributions</u>
2015	\$1,899,093
2014	1,850,957
2013	1,498,771
2012	1,286,278
2011	1,629,187

Source: New Mexico Education Retirement Board

Retirement Plan

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

Effective July 1, 2009, plan members were required by state statute to contribute 7.9% of their gross salary if they earn \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The District was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. Effective July 1, 2012 plan members are required by statute to continue 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 11.15% of their gross salary. The District is required to contribute 12.4% of gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2015, 2014, and 2013, were \$1,899,093, \$1,850,957, and \$1,498,771 respectively, which equal the amount of the required contributions for each fiscal year.

Post-Employment Benefits

The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA).

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

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

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.

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. 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, 2015, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; each participating employee was required to contribute 1.00% of their salary.

Also, employers joining the program after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The District's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$273,127, \$281,169, and \$270,040 respectively, which equal the required contributions for each year.

FEDERAL SEQUESTER

Federal Subsidy Payments and Implications of Federal Sequestration and Other Factors Affecting Subsidy.

The District previously issued its outstanding Taxable General Obligation School Building Bonds, Series 2010A (Qualified School Construction Bonds – Direct Payment) and 2010B (Build America Bonds) (collectively, the "2010 Bonds"). When the District issued its 2010 Bonds, it expected to receive cash subsidy payments ("Federal Direct Payments") from the United States Treasury equal to a portion of the interest payable on the Series 2010 Bonds. On January 2, 2013, Congress passed the American Taxpayer Relief Act of 2012, which addressed certain revenue

and spending issues and required automatic budget cuts referred to as “sequestration” to go into effect on March 1, 2013. On March 1, 2013, the President signed an executive order reducing the budgetary authority in accounts subject to sequester. The order required that the budget authority for all accounts in the domestic mandatory spending category, which includes Federal Direct Payments, be reduced by 5.1 percent for the federal fiscal year ending on September 30, 2013. Through subsequent legislation, the sequester of Federal Direct Payments has been extended through federal fiscal year ending September 30, 2024. As a result of sequestration, the District did not receive full Federal Direct Payments beginning in the District’s fiscal year ending June 30, 2014. No assurance may be given that the details relating to sequestration and its impact will not materially change.

The Code imposes requirements that the District must continue to meet with respect to the 2010 Bonds in order to receive the Federal Direct Payments. These requirements generally involve the way that bond proceeds must be invested and ultimately used, and the periodic submission of requests for payment. If the District does not meet these requirements, it is possible that the District may not receive the Federal Direct Payments. No assurance is given that the Federal Direct Payments will be received.

The Internal Revenue Service (“IRS”) has implemented an examination program for certain types of bonds that qualify for direct federal subsidies and no assurance can be given that the 2010 Bonds will not be selected for a more detailed or comprehensive examination. In the event the IRS files a proposed adverse determination letter as a result of such an examination, announced IRS policy is to suspend payment to the District of the Federal Direct Payments pending a final determination of the qualification of the 2010 Bonds for the Federal Direct Payments.

Furthermore, in certain circumstances, the Federal Direct Payments may be offset by amounts determined to be applicable under the Code and regulations promulgated thereunder. For example, offsets may occur by reason of any past-due legally enforceable debt of the District to any Federal agency. The amount of any such offsets is not predictable.

The reduction or elimination of Federal Direct Payments may impact the District’s ability to repay bonds, including the Series 2016 Bonds.

LEGAL MATTERS

The District has engaged Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, and the opinion of Bond Counsel will be delivered at the time of delivery of the Bonds. The opinion of Bond Counsel approving the legality of the Bonds and relating to the tax-exempt status of the Series 2016 Bonds will speak only as of its date. Additionally, certain legal matters will be passed upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Disclosure Counsel.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and nonfinancial, impacting the operations of school districts which could have a material impact on the District and could adversely affect the secondary market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of 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.

TAX MATTERS

Federal and State Tax Opinion

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuous compliance with certain covenants made by the District, the interest on the Bonds is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference under Section 57 of the Code for purposes of alternative minimum tax imposed on individuals and corporations. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that the Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof. A form of the opinion of Bond Counsel is attached hereto as Appendix C.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The District has made various representations and warranties with respect to, and has covenanted in the Bond Resolution, and other certificates to comply with the applicable provisions of the Code to assure that interest on the Bonds will remain excludable from gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Bonds being included in gross income from the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has opined that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code, interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service will treat the District as the taxpayer and the Bond owners may have no right to participate in such procedure. Neither the Underwriter nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The District has covenanted in the Bond Resolution not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the District, the Underwriter, or Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Bonds.

Original Issue Premium

The Bonds were offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holders' tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisor for an explanation of the amortization rules.

Qualified Tax Exempt Obligations

The District has designated the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code. The District has no "subordinate entities" with authority to issue tax-exempt obligations within the meaning of that Section of the Code. The District has covenanted that District in or during the calendar year in which the Bonds are issued (i) will not designate as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code tax-exempt obligations, including the Bonds, in an aggregate principal amount in excess of ten million dollars and (ii) will not issue tax-exempt obligations within the meaning of Section 265(b)(4) of the Code, including the Bonds and any qualified 501(c)(3) bonds as defined in Section 145 of the Code (but excluding obligations, other than qualified 501(c)(3) bonds, that are private activity bonds as defined in Section 141 of the Code), in an aggregate principal amount exceeding ten million dollars.

LITIGATION

At the time of the original delivery of the Bonds, the District will deliver a no-litigation certificate to the effect that no litigation or administrative action or 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 make payments on the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered or the validity of the Bonds.

RATING

Moody's Investors Service has assigned its municipal bond rating of "A1" to the Bonds, with an enhanced rating of "Aa1" given the New Mexico School District Enhancement Program. The rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained only from Moody's Investors Services, Inc., 7 World Trade Center, New York, New York 10007, Telephone 212-553-0300, website www.moodys.com. There is no assurance that such rating will be continued for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's Investors Services, Inc. if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM

The New Mexico Legislature amended NMSA 1978, Sections 22-18-13 et. seq., in the first session of 2007, which became effective on March 30, 2007, and is applicable to general obligation bonds issued after such date. Section 22-18-13, NMSA 1978 provides that if the District's Paying Agent notifies the Department of Finance and Administration on the business day immediately prior to the payment date that a bond payment has not been received, the Department of Finance and Administration shall forward the amount necessary to make the payment due on the bonds to the Paying Agent. Such amount will be withheld by the Department of Finance and Administration from the District's monthly State Equalization Guarantee distribution (see "Finances of the Educational Program – State Equalization Guarantee"). If the amount of the next succeeding distribution is insufficient to pay the amount due, the Department of Finance and Administration shall withhold amounts from

each succeeding payment of the State Equalization Guarantee distribution, including payments to be made in succeeding fiscal years, but no more than 12 consecutive months of payments, until the total amount of principal and interest is withheld. Withholding of the State Equalization Guarantee distribution may affect the District's ability to continue to operate.

Section 22-18-13, NMSA 1978 requires filing the Resolution, bond offering documents and contact information for the Paying Agent with the Department of Finance and Administration. Failure to file such information will not invalidate the obligation of the State Treasurer to pay the bond payment and withhold the State Equalization distribution.

CONTINUING DISCLOSURE

Pursuant to Securities and Exchange Commission Rule 15c2-12, the District will undertake to provide certain ongoing disclosure, including annual operating data and financial information, audited financial statements and notices of the occurrence of certain material events. See Appendix D – Continuing Disclosure Undertaking.

The District's continuing disclosure undertakings provide that while any of the 2008 Bonds, 2010 Bonds, and Education Technology Lease Purchase Arrangement and Notes, Series 2015A and Taxable Series 2015B (collectively, the "2015 LPA") are outstanding, the District will provide certain annual financial information to the national securities repositories. The District's audited financial statements for the fiscal years ending June 30, 2012, June 30, 2011 and June 30, 2010 were filed with EMMA on July 24, 2013. The District's audited financial statement for the fiscal year ending June 30, 2013 was filed on March 24, 2014. The District's audited financial statement for June 30, 2014 was filed on March 17, 2015, and the District's audited financial statement for June 30, 2015 was filed on March 31, 2016. The District failed to file its annual financial information for Fiscal Year 2011 and omitted certain direct debt ratios as required by outstanding undertakings for Fiscal Year 2012. The District made a remedial filing on June 23, 2016 and filed a related Notice of Failure to File Annual Information also on June 23, 2016.

As an additional remedial measure, the District has entered into a written engagement letter with George K. Baum & Company for limited clerical and ministerial assistance to help the District meet certain of its continuing disclosure filing obligations. Those limited clerical and ministerial services include reminders of filing dates and, upon request by the District, assistance with the process of posting information with the MSRB. Additionally, in August 2015, the Board adopted Continuing Disclosure Compliance Procedures.

MUNICIPAL ADVISOR

George K. Baum & Company ("George K. Baum"), has been retained as a municipal advisor in connection with the issuance and sale of the Bonds. Although George K. Baum has assisted in the preparation of the Official Statement, George K. Baum is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement or any of the other legal documents, and further George K. Baum does not assume any responsibility for the information, covenants and representations with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies or rating agencies.

UNDERWRITING

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

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

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

VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS

The mathematical accuracy of (i) the computations of the adequacy of the principal amounts and the interest thereon of the government securities and other funds to be deposited in the Escrow Fund, to provide for the payment of the principal of, premium and interest on the Refunded Bonds, when due and upon early redemption thereof as described under the caption "APPLICATION OF BOND PROCEEDS" herein, and (ii) the computations made supporting the conclusion that the yield on the U.S. Treasury Securities held pursuant to the Escrow Agreement is less than the yield on the Bonds for federal income tax purposes, will be verified by Causey Demgen & Moore, Denver, Colorado. Such verifications will be based, in part, upon information supplied to the certified public accountants by the Underwriter and the Municipal Advisor.

ADDITIONAL INFORMATION

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 District's Administration Office, 310 Camino de la Placita, Taos, New Mexico 87571.

OFFICIAL STATEMENT CERTIFICATION

The final certificates included in the transcript of legal proceedings will include the following: At closing, an appropriate officer of the District will sign a certificate stating, after reasonable investigation, that to the best of its 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 its 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.

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

TAOS MUNICIPAL SCHOOL DISTRICT

By: /s/ James Sanborn
James Sanborn, President, Board of Education

By: /s/ Whitney Goler
Whitney Goler, Secretary, Board of Education

APPENDIX A

AREA ECONOMIC INFORMATION

GENERAL INFORMATION TAOS COUNTY

POPULATION

The following table provides a history of Taos County and the State:

<u>Year</u>	<u>Taos County</u>	<u>New Mexico</u>
2015	32,907	2,085,572
2014	33,084	2,065,287
2013	33,030	2,086,895
2012	32,779	2,085,538
2011	32,917	2,082,224

Source: Source U.S. Census Bureau, Population Division

The following table provides an age profile of the population of Taos County and comparative data for the State of New Mexico:

PERCENT OF POPULATION

	<u>Taos County</u>	<u>New Mexico</u>
Under 5 years	5.8%	7.1%
5 to 9 years	6.6	6.9
10 to 14 years	7.6	7.0
15 to 19 years	6.8	7.4
20 to 24 years	4.6	7.1
25 to 34 years	11.8	12.8
35 to 44 years	15.6	12.3
45 to 54 years	17.7	14.2
55 to 59 years	6.1	6.6
60 to 64 years	5.0	5.6
65 to 74 years	7.0	7.4
75 to 84 years	3.9	4.2
85 years and over	1.5	1.6

Source: U.S. Census Bureau, 2014 Census

PER CAPITA PERSONAL INCOME

The table below sets forth the per-capita income, based on the total gross personal income divided by the population, for Taos County and the State.

<u>Year</u>	<u>Taos County</u>	<u>New Mexico</u>
2014	\$37,091	\$37,091
2013	35,254	35,965
2012	35,585	35,805
2011	34,556	34,133
2010	33,019	32,940

Source: Bureau of Business and Economic Research, University of New Mexico

INCOME TOTALS

The table below shows a five-year history of the median household income for Taos County compared with New Mexico.

<u>Year</u>	<u>Taos County</u>	<u>New Mexico</u>
2014	\$35,823	\$44,968
2013	32,637	44,927
2012	33,835	44,886
2011	32,521	42,097
2010	32,940	42,186

Source: U.S. Census Bureau, Data Integration Division, Small Area Estimates Branch, Small Area Income and Poverty Estimates (SAIPE). Table prepared by: Bureau of Business and Economic Research, University of New Mexico.

PERCENT OF HOUSEHOLDS BY EFFECTIVE BUYING INCOME GROUPS

The table set forth below shows per household effective buying income categories for residents of Taos County and comparative data for the State.

<u>Effective Buying Income Group</u>	<u>Taos County Households</u>	<u>New Mexico Households</u>
Under \$25,000	35.5%	36.7%
\$25,000 – 49,999	30.8%	31.4%
\$50,000 – 99,999	21.8%	24.3%
\$100,000 – 149,999	7.6%	5.0%
\$150,000 and Over	4.3%	2.6%

Source: U.S. Census Bureau

MAJOR EMPLOYERS

Some of the larger employers in Taos County are described below. No independent investigation of the stability or financial condition of the listed employers has been conducted and no representation can be made that these employers will maintain their status as major employers.

<u>Employer</u>	<u># of Employees</u>
Taos Ski Valley	700
Taos School District	475
Holy Cross Hospital	417
Taos Town Business Licenses	220
Taos County	210
Red River Ski Area	200
Amgen Inc.	200
Walmart	200
Ideal Home Care	180
Town of Taos	175

Source: Taos Chamber of Commerce

The following table provides history of the year-end averages of employment in Taos County and the State.

<u>Year</u>	<u>Taos County</u>		<u>New Mexico</u>	
	<u>Labor Force</u>	<u>% Unemployed</u>	<u>Labor Force</u>	<u>% Unemployed</u>
2015	14,743	9.3%	919,889	6.6%
2014	14,960	10.0%	921,380	6.7%
2013	15,044	10.3%	923,685	7.0%
2012	15,067	10.4%	928,739	7.1%
2011	15,282	10.4%	930,356	7.5%
2010	15,423	10.6%	936,088	8.1%

Source: New Mexico Department of Workforce Solutions

APPENDIX B
June 30, 2015 Audited Financial Statement

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2015



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		i
Official Roster		vii
FINANCIAL SECTION		
Independent Auditor's Report		viii
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	1
Statement of Activities	A-2	2
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	3
Reconciliation of the Balance Sheet to the Statement of Net Position	B-2	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	B-3	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	B-4	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Operational Fund	C-1	9
Student Transportation Fund	C-2	10
Instructional Materials Fund	C-3	11
Statement of Fiduciary Assets and Liabilities	D-1	12
Notes to the Financial Statements		13
SUPPLEMENTARY INFORMATION		
Combining and Individual Fund Statements and Schedules		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	60
Special Revenue Funds Descriptions		61
Combining Balance Sheet – Nonmajor Special Revenue Funds	B-1	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	B-2	83
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Food Services Special Revenue Fund	B-3	97
Athletics Special Revenue Fund	B-4	98
Title I-IASA Special Revenue Fund	B-5	99
IDEA-B Entitlement Special Revenue Fund	B-6	100
IDEA-B Discretionary Project Special Revenue Fund	B-7	101
New Mexico Autism Project Special Revenue Fund	B-8	102
IDEA-B Preschool Special Revenue Fund	B-9	103
Fresh Fruits and Vegetables Special Revenue Fund	B-10	104

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION	<u>Statement</u>	<u>Page</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
IDEA-B “Risk Pool” Special Revenue Fund	B-11	105
IDEA-B Results Plan Special Revenue Fund	B-12	106
Enhancing Education Thru Tech (E2T2-F) Special Revenue Fund	B-13	107
ELL Title III Incentive Awards Special Revenue Fund	B-14	108
Title V Part A Innovative Ed Pro Strategies Special Revenue Fund	B-15	109
English Language Acquisition Special Revenue Fund	B-16	110
Teacher/Principal Training & Recruiting Special Revenue Fund	B-17	111
Safe & Drug Free Schools & Community Special Revenue Fund	B-18	112
21 st Century Community Living Centers Special Revenue Fund	B-19	113
Rural & Low-Income Schools Special Revenue Fund	B-20	114
Title I School Improvement Special Revenue Fund	B-21	115
Immigrant Funding-Title III Special Revenue Fund	B-22	116
Carl D Perkins Special Projects JAG Special Revenue Fund	B-23	117
Carl D Perkins Secondary Current Special Revenue Fund	B-24	118
Carl D Perkins Secondary-Redistribution Special Revenue Fund	B-25	119
Title I-IASA Federal Stimulus Special Revenue Fund	B-26	120
IDEA-B Entitlement Federal Stimulus Special Revenue Fund	B-27	121
Impact Aid Special Education Special Revenue Fund	B-28	122
Impact Aid Indian Education Special Revenue Fund	B-29	123
GRADS Child Care CYFD Special Revenue Fund	B-30	124
Title XIX Medicaid 3/21 Years Special Revenue Fund	B-31	125
TANF/GRADS HSD Special Revenue Fund	B-32	126
Indian Ed Formula Grant Special Revenue Fund	B-33	127
Education Jobs Fund-Federal Stimulus Special Revenue Fund	B-34	128
ENLACE-UNM Special Revenue Fund	B-35	129
LANL Foundation Special Revenue Fund	B-36	130
Intel Foundation Special Revenue Fund	B-37	131
Northern NM Network-Teacher Incentive Fund Special Revenue Fund	B-38	132
Dual Credit Instructional Materials Special Revenue Fund	B-39	133
2010 GO Bonds Student Library Fund (SB1) Special Revenue Fund	B-40	134
2012 GO Bonds Student Library Fund (SB66) Special Revenue Fund	B-41	135
New Mexico Reads to Lead K-3 Reading Initiative Special Revenue Fund	B-42	136
TANF PED Special Revenue Fund	B-43	137
Technology for Education PED Special Revenue Fund	B-44	138
Obesity Program-PED Special Revenue Fund	B-45	139
Teachers/School Leaders Stipends At-Risk Special Revenue Fund	B-46	140
TANF Full Day Kindergarten Special Revenue Fund	B-47	141
Incentives for School Improvement Act-PED Special Revenue Fund	B-48	142
Summer Bridge Special Revenue Fund	B-49	143
PreK Initiative Special Revenue Fund	B-50	144
Indian Education Act Special Revenue Fund	B-51	145

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION	<u>Statement</u>	<u>Page</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Beginning Teacher Mentoring Program Special Revenue Fund	B-52	146
Breakfast for Elementary Students Special Revenue Fund	B-53	147
Kindergarten – Three Plus Special Revenue Fund	B-54	148
After School and Summer Enrichment Program	B-55	149
2013 School Bus Special Revenue Fund	B-56	150
NM Grown Fresh Fruits & Vegetables	B-57	151
Next Generation Assessments Special Revenue Fund	B-58	152
School Library Material Fund FY 08 Special Revenue Fund	B-59	153
ASSIST Tobacco DOH Special Revenue Fund	B-60	154
Healthier Schools Special Revenue Fund	B-61	155
Office of Cultural Affairs Special Revenue Fund	B-62	156
GEAR-UP CHE Special Revenue Fund	B-63	157
GRADS-Child Care Special Revenue Fund	B-64	158
GRADS-Instruction Special Revenue Fund	B-65	159
Private Direct Grants Special Revenue Fund	B-66	160
School Based Health Center Special Revenue Fund	B-67	161
Capital Projects Funds Descriptions		162
Combining Balance Sheet – Nonmajor Capital Projects Funds	C-1	164
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	C-2	165
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Bond Building Capital Projects Fund	C-3	166
Special Capital Outlay – Local Capital Projects Fund	C-4	167
Capital Improvements SB-9 Capital Projects Fund	C-5	168
Education Technology Equipment Act Capital Project Fund	C-6	169
Debt Service Funds		
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Debt Service Fund	D-3	170
Education Technology Debt Service Fund	D-4	171
Combining Statements – Component Units		
Combining Statements of New Position – All Component Units	E-1	172
Combining Statements of Activities – All Component Units	E-2	173
Anansi Charter School		
Statement of Net Position	F-1	174
Statement of Activities	F-2	175
Combining Balance Sheet – Governmental Funds	F-3	176
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	F-4	179
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	F-5	180

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION	<u>Statement</u>	<u>Page</u>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F-6	183
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Operational Fund	F-7	184
Instructional Materials Fund	F-8	185
IDEA-B Entitlement Special Revenue Fund	F-9	186
SEG Federal Stimulus Special Revenue Fund	F-10	187
2010 GO Bonds Student Library Funds (SB1) Special Revenue Fund	F-11	188
2012 GO Bonds Student Library Fund (SB66) Special Revenue Fund	F-12	189
NM Reads to Lead K-3 Reading Initiative Special Revenue Fund	F-13	190
Robotics 2012 Special Revenue Fund	F-14	191
2010 GO Bonds Instructional Materials Special Revenue Fund	F-15	192
Private Direct Grants Special Revenue Fund	F-16	193
Bond Building Capital Project Fund	F-17	194
Public School Capital Outlay Capital Project Fund	F-18	195
Capital Improvements SB-9 Capital Project Fund	F-19	196
Statement of Cash Flows – Friends of Anansi Charter School	F-20	197
 Taos Charter School		
Statement of Net Position	G-1	198
Statement of Activities	G-2	199
Combining Balance Sheet – Governmental Funds	G-3	200
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	G-4	203
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	G-5	204
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	G-6	207
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Operational Fund	G-7	208
Instructional Materials Fund	G-8	209
IDEA-B Entitlement Special Revenue Fund	G-9	210
SEG Federal Stimulus Special Revenue Fund	G-10	211
2010 GO Bonds Student Library Funds (SB1) Special Revenue Fund	G-11	212
2012 GO Bonds Student Library Fund (SB66) Special Revenue Fund	G-12	213
NM Reads to Lead K-3 Reading Initiative Special Revenue Fund	G-13	214
2010 GO Bonds Instructional Materials Special Revenue Fund	G-14	215
Private Direct Grant Special Revenue Fund	G-15	216
Bond Building Capital Projects Fund	G-16	217
Public School Capital Outlay Capital Projects Fund	G-17	218
Capital Improvements SB-9 Capital Projects Fund	G-18	219
Statement of Cash Flows – Friends of Taos Charter School	G-19	220

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION	<u>Statement</u>	<u>Page</u>
Vista Grande High School		
Statement of Net Position	H-1	221
Statement of Activities	H-2	222
Combining Balance Sheet – Governmental Funds	H-3	223
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	H-4	226
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	H-5	227
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	H-6	230
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Operational Fund	H-7	231
Instructional Materials Fund	H-8	232
IDEA-B Entitlement Special Revenue Fund	H-9	233
2010 GO Bonds Student Library Funds (SB1) Special Revenue Fund	H-10	234
2012 GO Bonds Student Library Fund (SB66) Special Revenue Fund	H-11	235
Technology for Education Special Revenue Fund	H-12	236
School Library Material Fund FY08 Special Revenue Fund	H-13	237
Private Direct Grants Special Revenue Fund	H-14	238
Bond Building Capital Project Fund	H-15	239
Public School Capital Outlay Capital Project Fund	H-16	240
Capital Improvements SB-9 Capital Project Fund	H-17	241
Statement of Fiduciary Assets and Liabilities – Agency Funds - CU	H-18	242
Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds – CU	H-19	243
 OTHER SUPPLEMENTAL INFORMATION	 <u>Schedule</u>	 <u>Page</u>
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds	I	244
Schedule of Pledged Collateral	II	245
Schedule of Cash and Temporary Investment Accounts	III	246
Schedule of Cash Reconciliations	IV	247
Schedule of Joint Powers Agreements	V	255
Schedule of Vendor Information	VI	256
Schedule of Net Pension Liability	VII	259
Schedule of Pension Contributions	VIII	261
Notes to Required Supplementary Information	IX	262
 COMPLIANCE SECTION	 <u>Schedule</u>	 <u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		263

**STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS**

FEDERAL FINANCIAL ASSISTANCE

Report on Compliance for Each Major Federal Program;

Report on Internal Control over Compliance 265

Schedule of Expenditures of Federal Awards X 267

Schedule of Findings and Questioned Costs XI 269

OTHER DISCLOSURES 349

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2015

<u>Name</u>		<u>Title</u>
	<u>School Board</u>	
David Chavez		President
James Sanborn		Vice-President
Mark Flores		Secretary
Jason Silva		Member
Whitney Goler		Member
	<u>District Officials</u>	
Dr. Lillian Torrez		Superintendent
Boby Spinelli		Finance Director

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Timothy Keller, New Mexico State Auditor
The Office of Management and Budget
And the Board of Education of
Taos Municipal School District
Taos, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of Taos Municipal School District, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's nonmajor governmental funds, fiduciary funds, and the budgetary comparisons for the major capital project funds, the major debt service funds, and all nonmajor funds presented as supplementary information as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position, cash flows thereof and the respective budgetary comparisons for the general fund 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 and fiduciary fund of the District as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the major capital project funds, debt service funds, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Management has provided the required GASB 68 schedules which are presented as Schedules VII through IX.

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 comparison. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audit of States, Local Governments, and Non-Profit Organization*, the introductory section, and the Other Supplemental Information, Schedules I through V required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 09, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
November 09, 2015

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A-1

	Governmental Activities	Component Units
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 9,383,952	\$ 756,953
Receivables (net of allowance for uncollectibles)	3,296,066	464,438
Deposits	10,582	-
Inventory	16,992	-
Prepaid assets	-	46,584
<i>Total current assets</i>	<u>12,707,592</u>	<u>1,267,975</u>
<i>Noncurrent assets</i>		
Prepaid assets	-	652,058
Capital assets (net of accumulated depreciation):		
Land and land improvements	11,441,885	1,512,461
Buildings and building improvements	72,631,164	4,119,116
Furniture, fixtures and equipment	3,971,557	267,292
Construction in progress	3,321,495	1,321,490
Less: accumulated depreciation	(16,940,191)	(821,597)
<i>Total noncurrent assets</i>	<u>74,425,910</u>	<u>7,050,820</u>
DEFERRED OUTFLOWS OF RESOURCES		
Subsequent employer contributions and change in proportion- pensions	<u>2,394,348</u>	<u>551,896</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 89,527,850</u>	<u>\$ 8,870,691</u>
LIABILITIES		
<i>Current liabilities</i>		
Accounts payable	\$ 616,213	\$ 37,168
Accrued payroll liabilities	1,409,284	241,903
Accrued interest payable	532,822	9,235
Unearned lease income	-	46,584
Current maturities of:		
Bonds payable	2,615,000	-
Loans payable	-	1,028,586
Compensated absences	-	3,775
<i>Total current liabilities</i>	<u>5,173,319</u>	<u>1,367,251</u>
<i>Noncurrent liabilities:</i>		
Unearned lease income	-	652,058
Bond premiums, net of amortization of \$94,703	1,073,295	-
Bonds payable	32,720,000	-
Loans payable	-	1,532,994
Net Pension Liability	29,161,411	4,003,687
<i>Total noncurrent liabilities</i>	<u>62,954,706</u>	<u>6,188,739</u>
DEFERRED INFLOWS OF RESOURCES		
Change in pension experience and proportion	<u>3,085,296</u>	<u>627,695</u>
NET POSITION		
Net investment in capital assets	38,017,615	4,489,221
Restricted for:		
Debt service	4,692,789	-
Capital projects	3,451,577	118,648
Other purposes - special revenue	(33,900)	(32,802)
Unrestricted	(27,813,552)	(3,888,061)
<i>Total net position</i>	<u>18,314,529</u>	<u>687,006</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 89,527,850</u>	<u>\$ 8,870,691</u>

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

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
Primary Government						
Governmental activities:						
Instruction	\$ 12,249,924	\$ 79,648	\$ 3,755,761	\$ -	\$ (8,414,515)	\$ -
Support services:						
Students	2,515,005	-	11,455	-	(2,503,550)	-
Instruction	103,573	-	17,247	-	(86,326)	-
General administration	582,450	-	-	-	(582,450)	-
School administration	1,124,609	-	-	-	(1,124,609)	-
Other	42,920	-	-	-	(42,920)	-
Central services	273,645	169,725	-	-	(103,920)	-
Operation & maintenance of plant	2,196,739	63,468	-	(127,905)	(2,261,176)	-
Student transportation	1,024,890	-	993,158	-	(31,732)	-
Food services operation	1,685,656	137,073	1,638,297	-	89,714	-
Community services	-	-	-	-	-	-
Interest on long-term debt	1,567,911	-	584,958	-	(982,953)	-
Facilities materials, supplies, & other services	8,732,289	-	-	188,862	(8,543,427)	-
Depreciation - unallocated	-	-	-	-	-	-
Total Primary Government	<u>\$ 32,099,611</u>	<u>\$ 449,914</u>	<u>\$ 7,000,876</u>	<u>\$ 60,957</u>	<u>(24,587,864)</u>	<u>-</u>
Component Units						
Anansi Charter School	\$ 1,768,949	\$ 259,129	\$ 122,460	\$ 405,783		(981,577)
Taos Charter School	2,074,518	165,370	212,979	563,031		(1,133,138)
Vista Grande High School	1,240,720	2,381	5,976	103,690		(1,128,673)
Total Component Units	<u>\$ 5,084,187</u>	<u>\$ 426,880</u>	<u>\$ 341,415</u>	<u>\$ 1,072,504</u>		<u>(3,243,388)</u>
General Revenues:						
Property taxes:						
Levied for general purposes					188,964	-
Levied for debt service					3,516,432	-
Levied for capital projects					1,722,981	239,190
State equalization guarantee					19,744,907	3,708,844
Federal aid - not restricted					223,568	-
Unrestricted investment earnings					5,617	79
Transfer from agency funds					-	-
Miscellaneous					180,362	131,402
Total general revenues					<u>25,582,831</u>	<u>4,079,515</u>
Change in net position					<u>994,967</u>	<u>836,127</u>
Net position - beginning of year					<u>42,508,048</u>	<u>3,944,497</u>
Restatement - change in accounting principle					<u>(25,188,486)</u>	<u>(4,093,618)</u>
Net position - beginning of year, restated					<u>17,319,562</u>	<u>(149,121)</u>
Net position - end of year					<u>\$ 18,314,529</u>	<u>\$ 687,006</u>

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

STATE OF NEW MEXICO
 TAOS MUNICIPAL SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2015

	General Fund			Bond
	Operational	Transportation	Instructional	Building
	11000	13000	Materials	31100
	14000			
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 1,316,497	\$ 48,416	\$ 231,970	\$ 959,757
Accounts receivable				
Taxes	46,326	-	-	-
Due from other governments	-	-	-	-
Interfund receivables	2,075,621	-	-	-
Other	99,389	-	-	-
Deposit	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>3,537,833</u>	<u>48,416</u>	<u>231,970</u>	<u>959,757</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	85,774	-	-	42,620
Accrued payroll liabilities	1,145,000	27,887	-	-
Interfund payables	-	-	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>1,230,774</u>	<u>27,887</u>	<u>-</u>	<u>42,620</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	39,305	-	-	-
Unavailable revenue - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>39,305</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Transportation	-	20,529	-	-
Instructional materials	-	-	231,970	-
Grant mandates	-	-	-	-
Capital projects	-	-	-	917,137
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	2,267,754	-	-	-
<i>Total fund balances</i>	<u>2,267,754</u>	<u>20,529</u>	<u>231,970</u>	<u>917,137</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 3,537,833</u>	<u>\$ 48,416</u>	<u>\$ 231,970</u>	<u>\$ 959,757</u>

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

STATE OF NEW MEXICO
 TAOS MUNICIPAL SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Capital Improvements SB-9 31700	Debt Service 41000	Education Technology Debt Service 43000	Other Governmental Funds	Total Primary Government
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ 2,197,526	\$ 2,796,645	\$ 762,994	\$ 1,070,147	\$ 9,383,952
Accounts receivable					
Taxes	175,826	527,701	605,449	-	1,355,302
Due from other governments	-	-	-	1,841,375	1,841,375
Interfund receivables	-	-	-	-	2,075,621
Other	-	-	-	-	99,389
Deposit	-	-	-	10,582	10,582
Inventory	-	-	-	16,992	16,992
<i>Total assets</i>	<u>2,373,352</u>	<u>3,324,346</u>	<u>1,368,443</u>	<u>2,939,096</u>	<u>14,783,213</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	372,709	-	-	115,110	616,213
Accrued payroll liabilities	-	-	-	236,397	1,409,284
Interfund payables	-	-	-	2,075,621	2,075,621
Unearned revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>372,709</u>	<u>-</u>	<u>-</u>	<u>2,427,128</u>	<u>4,101,118</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	109,563	426,976	579,323	-	1,155,167
Unavailable revenue - other	-	-	-	395,174	395,174
<i>Total deferred inflows of resources</i>	<u>109,563</u>	<u>426,976</u>	<u>579,323</u>	<u>395,174</u>	<u>1,550,341</u>
FUND BALANCES					
Nonspendable	-	-	-	16,992	16,992
Restricted for:					
Transportation	-	-	-	-	20,529
Instructional materials	-	-	-	-	231,970
Grant mandates	-	-	-	-	-
Capital projects	1,891,080	-	-	533,797	3,342,014
Debt service	-	2,897,370	789,120	-	3,686,490
Assigned	-	-	-	-	-
Unassigned	-	-	-	(433,995)	1,833,759
<i>Total fund balances</i>	<u>1,891,080</u>	<u>2,897,370</u>	<u>789,120</u>	<u>116,794</u>	<u>9,131,754</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,373,352</u>	<u>\$ 3,324,346</u>	<u>\$ 1,368,443</u>	<u>\$ 2,939,096</u>	<u>\$ 14,783,213</u>

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

STATE OF NEW MEXICO

Exhibit B-2

TAOS MUNICIPAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Fund balances - total governmental funds	\$ 9,131,754
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	74,425,910
Contributions to the pension plan are expensed in the governmental funds but are deferred outflows for government-wide statements	1,899,093
Changes in proportion for pension calculations are not recorded in the governmental funds but are recorded as deferred outflows for the for the government-wide statements	495,255
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements but are considered revenue in the statement of activities	1,155,167
Deferred inflows of resources represent revenues collected but not "available" and are considered to be deferred revenue in the fund financial statements but are considered revenue in the statement of activities	395,174
Bond issuance costs, including original issue discounts and premiums are not financial resources and therefore are not reported in the funds	
Bond premiums net of accumulated amortization	(1,073,295)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(532,822)
General obligation bonds	(35,335,000)
Net Pension Liability	(29,161,411)
Changes in pension actuarial experience, investment experience, and change in proportion are not recorded in the governmental funds but are recorded as deferred inflows for the government-wide statements	(3,085,296)
Net position - total governmental activities	<u>\$ 18,314,529</u>

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

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B-3

	General Fund			Bond Building
	Operational 11000	Transportation 13000	Instructional Materials 14000	31100
<i>Revenues:</i>				
Property taxes	\$ 187,619	\$ -	\$ -	\$ -
State grants	19,744,907	963,151	170,580	-
Federal grants	217,806	-	-	-
Miscellaneous	180,362	3,075	-	-
Charges for services	243,775	-	-	-
Investment Income	1,391	-	-	2,115
<i>Total revenues</i>	<u>20,575,860</u>	<u>966,226</u>	<u>170,580</u>	<u>2,115</u>
<i>Expenditures:</i>				
Current:				
Instruction	11,817,021	-	83,901	-
Support services				
Students	2,141,067	-	-	-
Instruction	209,865	-	-	-
General administration	660,006	-	-	-
School administration	1,227,464	-	-	-
Central services	551,338	-	-	-
Operation & maintenance of plant	2,330,017	-	-	-
Student transportation	-	970,640	-	-
Other support services	42,920	-	-	-
Food services operations	-	-	-	-
Community service	-	-	-	-
Capital outlay	-	-	-	5,725,735
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>18,979,698</u>	<u>970,640</u>	<u>83,901</u>	<u>5,725,735</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>1,596,162</u>	<u>(4,414)</u>	<u>86,679</u>	<u>(5,723,620)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Bond underwriter premium	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>1,596,162</u>	<u>(4,414)</u>	<u>86,679</u>	<u>(5,723,620)</u>
<i>Fund balances - beginning of year</i>	671,592	24,943	145,291	6,640,757
<i>Prior period adjustment</i>	-	-	-	-
<i>Adjusted fund balance - beginning of year</i>	<u>671,592</u>	<u>24,943</u>	<u>145,291</u>	<u>6,640,757</u>
<i>Fund balances - end of year</i>	<u>\$ 2,267,754</u>	<u>\$ 20,529</u>	<u>\$ 231,970</u>	<u>\$ 917,137</u>

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

STATE OF NEW MEXICO

Exhibit B-3

TAOS MUNICIPAL SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Capital Improvements SB-9 31700	Debt Service 41000	Education Technology Debt Service 43000	Other Governmental Funds	Total Primary Government
<i>Revenues:</i>					
Property taxes	\$ 1,754,396	\$ 2,771,962	\$ 692,981	\$ -	\$ 5,406,958
State grants	59,880	-	-	742,441	21,680,959
Federal grants	-	584,958	-	4,139,427	4,942,191
Miscellaneous	1,077	-	-	7,832	192,346
Charges for services	-	-	-	206,139	449,914
Investment Income	849	819	-	443	5,617
<i>Total revenues</i>	<u>1,816,202</u>	<u>3,357,739</u>	<u>692,981</u>	<u>5,096,282</u>	<u>32,677,985</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	-	-	2,678,028	14,578,950
Support services					
Students	-	-	-	471,089	2,612,156
Instruction	-	-	-	16,024	225,889
General administration	22,165	27,709	6,940	244,210	961,030
School administration	-	-	-	94,711	1,322,175
Central services	-	-	-	103,124	654,462
Operation & maintenance of plant	-	-	-	7,144	2,337,161
Student transportation	-	-	-	135,811	1,106,451
Other support services	-	-	-	-	42,920
Food services operations	-	-	-	1,720,762	1,720,762
Community service	-	-	-	-	-
Capital outlay	1,579,076	-	-	384,414	7,689,225
Debt service					
Principal	-	1,775,000	675,000	-	2,450,000
Interest	-	1,558,293	9,618	-	1,567,911
Bond issuance costs	-	-	-	110,000	110,000
<i>Total expenditures</i>	<u>1,601,241</u>	<u>3,361,002</u>	<u>691,558</u>	<u>5,965,317</u>	<u>37,379,092</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>214,961</u>	<u>(3,263)</u>	<u>1,423</u>	<u>(869,035)</u>	<u>(4,701,107)</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	-	-	-	-
Proceeds from bond issues	-	-	-	-	-
Bond underwriter premium	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>214,961</u>	<u>(3,263)</u>	<u>1,423</u>	<u>(869,035)</u>	<u>(4,701,107)</u>
<i>Fund balances - beginning of year</i>	1,676,119	2,900,633	787,697	985,829	13,832,861
<i>Prior period adjustment</i>	-	-	-	-	-
<i>Adjusted fund balance - beginning of year</i>	<u>1,676,119</u>	<u>2,900,633</u>	<u>787,697</u>	<u>985,829</u>	<u>13,832,861</u>
<i>Fund balances - end of year</i>	<u>\$ 1,891,080</u>	<u>\$ 2,897,370</u>	<u>\$ 789,120</u>	<u>\$ 116,794</u>	<u>\$ 9,131,754</u>

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

STATE OF NEW MEXICO

Exhibit B-4

TAOS MUNICIPAL SCHOOL DISTRICT**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, 2015****Governmental
Funds**

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

Net change in fund balances - total governmental funds \$ (4,701,107)

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	(1,897,533)
Capital Outlays	4,960,992

Revenues in the statement of activities that do not provide current financial resources
are not reported as revenues in the funds

Change in deferred revenue related to the property taxes receivable	21,419
Change in deferred inflows of resources - other	395,174

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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Increase in accrued interest payable	(19,126)
Amortization of bond premium	75,762
Principal payments on bonds	2,450,000
Pension contributions - current year	1,899,093
Pension expense	(2,189,707)

Change in net position - total governmental activities	<u>\$ 994,967</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
OPERATIONAL FUND (11000)
FOR THE YEAR ENDING JUNE 30, 2015

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ 182,783	\$ 182,783	\$ 187,711	\$ 4,928
State grants	19,748,931	19,748,931	19,744,907	(4,024)
Federal grants	19,317	19,317	217,806	198,489
Miscellaneous	157,690	157,690	80,973	(76,717)
Charges for services	193,500	193,500	243,775	50,275
Interest	800	800	1,391	591
<i>Total revenues</i>	<u>20,303,021</u>	<u>20,303,021</u>	<u>20,476,563</u>	<u>173,542</u>
<i>Expenditures:</i>				
Current:				
Instruction	12,061,336	12,284,177	11,822,514	461,663
Support services				
Students	2,453,975	2,364,975	2,141,067	223,908
Instruction	176,892	214,395	208,768	5,627
General administration	672,197	717,197	654,033	63,164
School administration	1,224,619	1,234,619	1,227,464	7,155
Central services	477,345	557,345	551,338	6,007
Operation & maintenance of plant	3,314,265	3,258,265	2,346,143	912,122
Student transportation	-	-	-	-
Other support services	108,122	108,122	49,155	58,967
Food services operations	-	331,004	-	331,004
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,488,751</u>	<u>21,070,099</u>	<u>19,000,482</u>	<u>2,069,617</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(185,730)</u>	<u>(767,078)</u>	<u>1,476,081</u>	<u>2,243,159</u>
<i>Other financing sources (uses):</i>				
Designated cash	185,730	767,078	-	(767,078)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>185,730</u>	<u>767,078</u>	<u>-</u>	<u>(767,078)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>1,476,081</u>	<u>1,476,081</u>
<i>Cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,916,037</u>	<u>1,916,037</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,916,037</u>	<u>1,916,037</u>
<i>Cash or fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,392,118</u>	<u>\$ 3,392,118</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 1,476,081	
Adjustments to revenues			99,297	
Adjustments to expenditures			20,784	
Net change in fund balance (GAAP basis)			<u>\$ 1,596,162</u>	

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

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
STUDENT TRANSPORTATION FUND (13000)
FOR THE YEAR ENDING JUNE 30, 2015

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	881,231	963,151	963,151	-
Federal grants	-	-	-	-
Miscellaneous	-	-	3,075	3,075
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>881,231</u>	<u>963,151</u>	<u>966,226</u>	<u>3,075</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	881,231	975,622	966,743	8,879
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>881,231</u>	<u>975,622</u>	<u>966,743</u>	<u>8,879</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(12,471)</u>	<u>(517)</u>	<u>11,954</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	12,471	-	(12,471)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>12,471</u>	<u>-</u>	<u>(12,471)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(517)</u>	<u>(517)</u>
<i>Cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>48,933</u>	<u>48,933</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>48,933</u>	<u>48,933</u>
<i>Cash or fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,416</u>	<u>\$ 48,416</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (517)	
Adjustments to revenues			-	
Adjustments to expenditures			(3,897)	
Net change in fund balance (GAAP basis)			<u>\$ (4,414)</u>	

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

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
INSTRUCTIONAL MATERIALS FUND (14000)
FOR THE YEAR ENDING JUNE 30, 2015

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	130,014	170,324	170,580	256
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>130,014</u>	<u>170,324</u>	<u>170,580</u>	<u>256</u>
<i>Expenditures:</i>				
Current:				
Instruction	269,861	312,642	83,901	228,741
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>269,861</u>	<u>312,642</u>	<u>83,901</u>	<u>228,741</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(139,847)</u>	<u>(142,318)</u>	<u>86,679</u>	<u>228,997</u>
<i>Other financing sources (uses):</i>				
Designated cash	139,847	142,318	-	(142,318)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>139,847</u>	<u>142,318</u>	<u>-</u>	<u>(142,318)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>86,679</u>	<u>86,679</u>
<i>Cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>145,291</u>	<u>145,291</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>145,291</u>	<u>145,291</u>
<i>Cash or fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,970</u>	<u>\$ 231,970</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 86,679	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ 86,679</u>	

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

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2015

Exhibit D-1

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	<u>\$ 424,212</u>
<i>Total assets</i>	<u><u> 424,212</u></u>
 LIABILITIES	
<i>Current Liabilities</i>	
Deposits held in trust for others	<u> 424,212</u>
<i>Total liabilities</i>	<u><u>\$ 424,212</u></u>

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

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STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies

The Taos Municipal School Board 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 Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management that is responsible for the financial statements. The financial statements of 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 Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes the governmental units.

During the year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Statements No. 68 and 71 require cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan.

A. *Financial Reporting Entity*

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 Statements No. 14 and No. 39. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. 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 basis, 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 criteria 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 criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

The District has three charter schools which operate as component units of the District – Anansi Charter School, Taos Charter School, and Vista Grande High School. In addition, Anansi Charter School has a foundation, Friends of Anansi Charter School, which is a component unit of the charter school, and Taos Charter School has a foundation, Friends of Taos Charter School, which is a component unit of the charter school.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

B. Government-wide and fund financial statements

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

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

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

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 are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the period 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.

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

Deferred outflows of resources – a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets; therefore, it is not recognized as an outflow of resources (expense) until then.

Deferred inflows of resources – an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities; therefore, it is not recognized as an inflow of resources (revenue) until that time.

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

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

The *General Fund* is the primary operating fund of the District, and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the Operational, Transportation, and Instructional Materials Funds.

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

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.

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

Under the requirements of GASB Statement No. 34, the District is required to present some of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following:

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

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

The *Operational Fund* (11000) accounts for the primary revenues and expenditures of the District, including, but not limited to, student instruction, student support, instructional support, general administration, school administration, central services, and operations and maintenance of plant. Revenues come from district tax levy, state equalization, and other local, state, and federal sources. This fund is considered by PED to be a sub-fund of the General Fund.

The *Student Transportation Fund* (13000) accounts for state equalization funds authorized by Section 22-8-26, NMSA, 1978 designated for the costs of transporting school-age children who are students within the District. This fund is considered by PED to be a sub-fund of the General Fund.

The *Instructional Materials Fund* (14000) accounts for funding designated for instructional materials purchases as authorized by Sections 22-15-1 through 22-15-14, NMSA, 1978 for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the General Fund.

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

The *Capital Improvements SB-9* (31700) is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

The *Debt Service Fund* (41000) is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest.

The *Education Technology Debt Service* (43000) is used to account for the debt repayment of the debt incurred through the Education Technology Equipment Act (Capital Projects Fund) (Section 6-15A-16 NMSA 1978).

Additionally, the government reports the following fund types:

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The fiduciary funds are for student activities.

As a general rule, the effect of interfund 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.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*

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

State statutes authorize the District to invest in 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. The State Treasurer's 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.

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.

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.

Restricted Assets: The Debt Service Fund is used to report resources set aside as restricted to make up potential future deficiencies in the revenue bond current debt service account.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund 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, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental 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 Taos County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the Taos County Treasurer's in July and August 2015 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2015.

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.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

Inventory: The District accounts for its inventories under the consumption method, reporting inventories purchased as an asset. The recognition of the expenditures is deferred until the period in which the inventories are actually consumed. Inventory in the Cafeteria Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

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 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment, including software, is being capitalized and included in furniture and equipment in accordance with NMAC 2.20.1.9 C (5). Capital expenditures made by the NM Public Schools Facilities Authority are appropriately included in the District's capital assets.

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. The District expenses the cost of library books when purchased because their estimated useful life is less than one year.

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, 2015.

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

Buildings	40-50 years
Building Improvements	20 years
Land Improvements	10-20 years
Vehicles	5-7 years
Furniture, fixtures, and equipment	3-5 years

Deferred Outflows of Resources – Subsequent Employer Contributions and Change in Proportion – Pensions: The government-wide financial statements report pension related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2014. Contributions made by the District in the current fiscal year and changes in proportion for the District are thus applicable to a future reporting period where they will then be expensed. As such, they are presented in the Statement of Net Position as a deferred outflow of resources in the current period.

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

Compensated Absences: District policy does not allow employees to be paid for unused annual or sick leave. As such, the District has no compensated absences that should be recorded.

Net Pension Liability: The District records its proportionate share of the difference between the value of total pension liabilities and plan assets for the State of New Mexico's Employee Retirement Board pension plan.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after the fiscal year ended June 30, 2004, bond premiums and discounts, will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the year incurred except for insurance costs which lower the effective rate of interest which will be reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. 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 service expenditures.

Deferred Inflows of Resources – Unavailable Revenues: Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Revenues not received within sixty (60) days of year-end are not considered available; therefore, a receivable is recorded for the amount due and a corresponding deferred revenue, is recorded as well.

Deferred Inflows of Resources – Change in Pension Experience and Proportion: Changes in actuarial experience, investment experience, and change in proportion for the District are applicable to a future reporting period and will be expensed over a five-year period beginning in the next fiscal year. As such, these amounts are presented in the Statement of Net Position as deferred inflows of resources in the current period.

Net Position or 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 10.

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

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

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

Unrestricted Net Position: All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

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.

E. Revenues

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Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

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

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financials include management's estimate of the useful lives of capital assets.

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$19,744,907 in state equalization guarantee distributions during the year ended June 30, 2015.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 **Summary of Significant Accounting Policies (Continued)**

E. Revenues (continued)

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. In the government-wide financial statements, the District recognizes property tax revenues in the period for which they are levied, net of estimated refunds and uncollectible amounts. The District records only the portion of the taxes considered to be 'measurable' and 'available' in the government fund financial statements, which is within 60 days of year-end. 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.

In the financial statements, the mill levy and ad-valorem taxes are broken out into two types: property taxes – residential and commercial and property taxes – oil and gas. Amounts recognized from residential and commercial property taxes at June 30, 2015 were \$5,428,377. Amounts collected from oil and gas taxes were \$0.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$963,151 in transportation distributions during the year ended June 30, 2015.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition 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, 2015 totaled \$170,580.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital 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 \$59,880 in state SB-9 matching during the year ended June 30, 2015.

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, NMSA 1978. 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 per Section 22-24-4(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies (Continued)

E. Revenues (continued)

During the year ended June 30, 2015, the District received \$0 in special capital outlay funds.

Federal Grants: The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flowthrough 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 reimbursement under the National School Lunch and Breakfast Programs for its food services operations, and the distributions of commodities through the New Mexico Human Services Department.

NOTE 2 Stewardship, Compliance and Accountability

F. 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. Public School Capital Outlay Council expenditures in the Public School Capital Outlay fund are not budgeted at the District level, so there is no budgetary comparison presented.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the ending cash balance be appropriated in the budget of the subsequent fiscal year.

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (100%) 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.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 Stewardship, Compliance and Accountability (Continued)

G. Budgetary Information (continued)

4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
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 DBPU.
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 State of 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 school district and approved by the DBPU.
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 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, Debt Service Fund and Capital Projects Funds.

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

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, 2015, is presented on each funds’ Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 Cash and Cash Equivalents

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2015.

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 collateralized as required by the statute.

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 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.

Deposits

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

	Centinel Bank	US Bank	NM LGIP	Total
Total amounts of deposits	\$ 5,971,331	\$ 2,670,021	\$ 1,749,279	\$ 10,390,631
FDIC coverage	250,000	250,000		\$ 500,000
Total uninsured public funds	<u>5,721,331</u>	<u>2,420,021</u>	<u>1,749,279</u>	<u>9,890,631</u>
Collateral requirement (50% of uninsured public funds)	2,860,666	1,210,011		4,070,677
Pledged security	<u>3,969,464</u>	<u>2,887,475</u>		\$ 6,856,939
Total over (under) collateralized	<u>\$ 1,108,798</u>	<u>\$ 1,677,464</u>	<u>\$ -</u>	<u>\$ 2,786,262</u>

The funds at US Bank are maintained in non-interest bearing accounts while Centinel Bank funds are maintained in interest bearing checking accounts.

The types of collateral allowed are limited by the section 6-10-16, NMSA 1978.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 Cash and Cash Equivalents (Continued)

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Deposits – The risk exists when a portion of the District's deposits are not covered by depository insurance and are:

1. Uncollateralized;
2. Collateralized with securities held by the pledging financial institution; or
3. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor's (District's) name.

At June 30, 2015, \$5,141,352 of the District's bank balance of \$8,641,352 was exposed to custodial credit risk as it was uninsured and not in the District's name. The New Mexico Local Government Investment Pool (LGIP), as an external investment pool of public funds, is not required to disclose custodial credit risk.

See schedule II, Schedule of Pledged Collateral for detail of the pledged securities.

Reconciliation of Cash to the Financial Statements

The carrying amount of deposits and investments shown above are included in the District's statement of net position as follows:

Reconciliation to Statement of Net Position

Governmental Funds - Balance Sheet

Cash and cash equivalents per Exhibit A-1	\$ 9,383,952
Statement of Fiduciary Net Position - cash per Exhibit D-1	<u>424,212</u>
Total per financial statements	9,808,164
Add outstanding checks and other reconciling items	<u>582,467</u>
Bank balance of deposits	<u><u>\$ 10,390,631</u></u>

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 Cash and Cash Equivalents (Continued)

Pooled Cash

The District utilized pooled accounts for their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts should be reclassified as due to/due from accounts in the combining balance sheets at June 30, 2015. Funds 24000 through 25000 are federal funds and 27000 through 29000 funds are non-federal funds. The following individual funds had negative cash balances as of June 30, 2015:

Fund #	Special Revenue Funds:	
21000	Food Services	\$ 173,581
24101	Title I IASA	587,742
24106	IDEA-B Entitlement	327,089
24107	IDEA-B Discretionary	9,338
24109	IDEA-B Preschool	11,455
24118	Fresh Fruits and Vegetables	74,746
24120	IDEA-B "Risk Pool"	600
24132	IDEA-B Results Plan	370,697
24143	ELL Title III Incentive Awards	2,467
24153	English Language Acquisition	45,787
24154	Teacher/Principal Training & Recruiting	114,633
24157	Safe & Drug Free Schools & Community	1,594
24160	Rural and Low Income Schools	25,870
24162	Title I School Improvement	22
24163	Immigrant Funding - Title III	19,711
24174	Carl D. Perkins - Secondary - Current	14,833
24201	Title I IASA Federal Stimulus	12,721
25184	Indian Ed Formula Grant	12,786
27103	Dual Credit Instructional Materials	5,966
27107	2012 GO Bonds Student Library Fund (SB66)	15,933
27114	New Mexico Reads to Lead K-3 Reading Initiative	28,289
27149	PreK Initiative	6,359
27150	NM Grown Fresh Fruits & Vegetables	6,785
27155	Breakfast for Elementary Students	11,769
27166	Kindergarten - Three Plus	28,112
27168	After School and Summer Enrichment Program	16,444
27178	2013 School Bus	78,200
27183	NM Grown Fresh Fruits & Vegetables	185
28178	GEAR-UP CHE	44,141
28190	GRADS - Child Care	1,649
29130	School Based Health Center	26,117
	Total	\$ 2,075,621

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 Cash and Cash Equivalents (Continued)

Investments

As of June 30, 2015, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>
State Investment Pool – 4101 LGIP Fund	\$1,749,279

State Pool – 4101 LGIP investments are 100% invested in U.S. Treasury Obligations.

Interest Rate Risk – Investments: The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates. The District's investments were rated AAAM by Standard & Poor's and have a weighted average days-to-maturity (WAM) of 77.7 days.

Concentration Credit Risk – Investments: For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the District. The investments in the State Pool—4101 LGIP Fund represents 100% of the investment portfolio. Since the District only purchases investments with the highest credit rating, the additional concentration is not viewed as an additional risk by the District. The District's policy related to concentration risk 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 State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investments fund in securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States Government or are agencies sponsored by the United States Government. The investments in the Local Government Investment Pool are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund that were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on investment dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2015. The State of New Mexico is the regulatory oversight agency and participation in the pool is voluntary.

NOTE 4 Receivables

Receivables as of June 30, 2015 are as follow:

	<u>Major Funds</u>					<u>Total</u>
	<u>Operational</u>	<u>Cap. Impr.</u>	<u>Debt</u>	<u>Ed. Tech.</u>	<u>Other</u>	
	<u>11000</u>	<u>SB-9</u>	<u>Service</u>	<u>Debt Service</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>31700</u>	<u>41000</u>	<u>43000</u>	<u>Funds</u>	<u>Funds</u>
Property taxes	\$ 46,326	\$ 175,826	\$ 527,701	\$ 605,449	-	\$ 1,355,302
Due from other governments	-	-	-	-	1,841,375	1,841,375
Other	99,389	-	-	-	-	99,389
Total receivables	<u>\$ 145,715</u>	<u>\$ 175,826</u>	<u>\$ 527,701</u>	<u>\$ 605,449</u>	<u>\$1,841,375</u>	<u>\$ 3,296,066</u>

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax revenues in the amount of \$1,155,167 and governmental revenues in the amount of \$395,174 were not collected within the period of availability and have been reclassified as unavailable revenues in the governmental fund financial statements.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 Interfund Receivables, Payables, and Transfers

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. The composition of interfund balances at June 30, 2015 is as follows:

Governmental Activities	Interfund Receivables	Interfund Payables
Major Funds:		
Operational (11000)	\$ 2,075,621	\$ -
Non-major Funds:		
Food Services (21000)	-	173,581
Title I IASA (24101)	-	587,742
IDEA B Entitlement (24106)	-	327,089
IDEA B Discretionary (24107)	-	9,338
IDEA B Preschool (24109)	-	11,455
Fresh Fruits and Vegetables (24118)	-	74,746
IDEA B Risk Pool (24120)	-	600
IDEA B Results Plan (24132)	-	370,697
ELL Title III Incentive Awards (24143)	-	2,467
English Language Acquisition (24153)	-	45,787
Teacher/Principal Training & Recruiting (24154)	-	114,633
Safe & Drug Free School & Community (24157)	-	1,594
Rural & Low-Income Schools (24160)	-	25,870
Title I School Improvement (24162)	-	22
Immigrant Funding Title III (24163)	-	19,711
Carl D Perkins - Secondary - Current (24174)	-	14,833
Title I - IASA Federal Stimulus (24201)	-	12,721
Indian Ed Formula Grant (25184)	-	12,786
Dual Credit Instructional Materials (27103)	-	5,966
2012 GO Bonds Student Library Fund (SB66) (27107)	-	15,933
NM Reads to Lead K-3 Initiative (27114)	-	28,289
PreK Initiative (27149)	-	6,359
Indian Education Act (27150)	-	6,785
Breakfast for Elementary Students (27155)	-	11,769
Kindergarten - Three Plus (27166)	-	28,112
After School and Summer Enrichment Program (27168)	-	16,444
2013 School Bus (27178)	-	78,200
NM Grown Fresh Fruits & Vegetables (27183)	-	185
GEAR - UP CHE (28178)	-	44,141
GRADS - Child Care (28190)	-	1,649
School Based Health Center (29130)	\$ -	\$ 26,117
Totals	\$ 2,075,621	\$ 2,075,621

All interfund balances are expected to be repaid within one year.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2015 follows:

	Balance June 30, 2014	Additions	Deletions	Adjustments	Balance June 30, 2015
Capital assets used in governmental activities:					
Capital assets not being depreciated:					
Land	\$ 3,528,625	\$ -	\$ -	\$ -	\$ 3,528,625
Construction in progress	2,413,662	4,791,913	(3,884,080)	-	3,321,495
Total capital assets not being depreciated	<u>5,942,287</u>	<u>4,791,913</u>	<u>(3,884,080)</u>	<u>-</u>	<u>6,850,120</u>
Capital assets being depreciated:					
Land improvements	4,783,177	3,130,083	-	-	7,913,260
Buildings and building improvements	71,877,167	753,997	-	-	72,631,164
Furniture, fixtures, and equipment	3,802,478	169,079	-	-	3,971,557
Vehicles	-	-	-	-	-
Total capital assets being depreciated	<u>80,462,822</u>	<u>4,053,159</u>	<u>-</u>	<u>-</u>	<u>84,515,981</u>
Less accumulated depreciation:					
Land improvements	46,825	158,706	-	152,858	358,389
Buildings and building improvements	17,157,068	1,605,648	-	(5,435,992)	13,326,724
Furniture, fixtures, and equipment	2,212,024	133,179	-	909,875	3,255,078
Vehicles	-	-	-	-	-
Total accumulated depreciation	<u>19,415,917</u>	<u>1,897,533</u>	<u>-</u>	<u>(4,373,259)</u>	<u>16,940,191</u>
Total capital assets, net of depreciation	<u>\$ 66,989,192</u>	<u>\$ 6,947,539</u>	<u>\$ (3,884,080)</u>	<u>\$ 4,373,259</u>	<u>\$ 74,425,910</u>

Depreciation expense for the year ended June 30, 2015 was unallocated in the amount of \$1,897,533.

The current construction in progress had remaining commitments of approximately \$228,500 at June 30, 2015.

During review of the detail assets, it was determined that deletions of assets had been done several years ago but the correlating accumulated depreciation was not removed. Additionally, some other errors and miscoding were identified and corrected in the current year with a prior period adjustment which resulted in a net increase to net position of \$4,373,259.

NOTE 7 Long-Term Debt

In the government-wide statement of net position the following changes occurred in liabilities during the year ended June 30, 2015:

	Balance at 06/30/14	Additions	Deletions	Balance at 06/30/15	Due Within One Year
General Obligation Bonds	<u>\$ 37,785,000</u>	<u>\$ -</u>	<u>\$ 2,450,000</u>	<u>\$ 35,335,000</u>	<u>\$ 2,615,000</u>

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of sick leave and other compensatory time during the year. However, this leave time is not paid out to the employee when the employee leaves the District. As such, no compensated absence liability should be accrued for the District.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 Long-Term Debt (Continued)

General Obligations Bonds

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. As of June 30, 2015, all general obligation bonds are for governmental activities.

The District had three Build America bonds which the federal government pays a portion of the interest on each year. During the year ended June 30, 2015, the federal government paid \$584,958 of interest on these bonds.

Bonds outstanding at June 30, 2015 are comprised of the following:

	Series 2008 GO Bonds 12/23/2008	Series 2010A GO Bonds 10/5/2010	Series 2010B GO Bonds 10/25/2010
Issue Date			
Original Issue	\$9,900,000	\$13,000,000	\$1,100,000
Maturity Date	9/1/2028	9/1/2027	9/1/2030
Principal	1-Sep	1-Sep	1-Sep
Interest Rate	3.5% - 4.5%	4.33% - 5.15%	5.45%
Principal/Interest	1-Sep	1-Sep	1-Sep
Interest	1-Mar	1-Mar	1-Mar
	Series 2013A GO Bonds 9/17/2013	Series 2013B GO Bonds 9/17/2013	Series 2014 GO Bonds 4/8/2014
Issue Date			
Original Issue	\$1,150,000	\$1,000,000	\$13,250,000
Maturity Date	10/1/2016	10/1/2016	9/1/2029
Principal	1-Oct	1-Oct	1-Sep
Interest Rate	0.25% - 1.05%	0.50% - 1.40%	2.00% - 5.00%
Principal/Interest	1-Oct	1-Oct	1-Sep
Interest	1-Apr	1-Apr	1-Mar

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

Fiscal Year Ending June 30,	Series 2008 General Obligation Bond		Total Debt
	Principal	Interest	Service
2016	\$ 485,000	\$ 369,068	\$ 854,068
2017	500,000	350,580	850,580
2018	520,000	330,179	850,179
2019	540,000	306,280	846,280
2020	565,000	281,904	846,904
2021-2025	3,210,000	1,041,053	4,251,053
2026-2029	3,145,000	288,829	3,433,829
Totals	<u>\$ 8,965,000</u>	<u>\$ 2,967,893</u>	<u>\$ 11,932,892</u>

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 Long-Term Debt (Continued)

Series 2010A General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 455,000	\$ 669,500	\$ 1,124,500
2017	455,000	669,500	1,124,500
2018	455,000	669,500	1,124,500
2019	455,000	669,500	1,124,500
2020	455,000	669,500	1,124,500
2021-2025	5,815,000	3,347,500	9,162,500
2026-2029	4,000,000	1,673,750	5,673,750
Totals	<u>\$ 12,090,000</u>	<u>\$ 8,368,750</u>	<u>\$ 20,458,750</u>

Series 2010B General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ -	\$ 38,967	\$ 38,967
2017	-	38,968	38,968
2018	-	38,967	38,967
2019	-	38,968	38,968
2020	-	38,967	38,967
2021-2025	-	194,838	194,838
2026-2029	800,000	153,567	953,567
2031-2035	300,000	5,314	305,314
Totals	<u>\$ 1,100,000</u>	<u>\$ 548,556</u>	<u>\$ 1,648,556</u>

Series 2013A General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 360,000	\$ 1,874	\$ 361,874
2017	50,000	263	50,263
Totals	<u>\$ 410,000</u>	<u>\$ 2,137</u>	<u>\$ 412,137</u>

Series 2013B General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 315,000	\$ 2,433	\$ 317,433
2017	50,000	350	50,350
Totals	<u>\$ 365,000</u>	<u>\$ 2,783</u>	<u>\$ 367,783</u>

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 Long-Term Debt (Continued)

Fiscal Year Ending June 30,	Series 2014 General Obligation Bond		Total Debt Service
	Principal	Interest	
2016	\$ 1,000,000	\$ 486,900	\$ 1,486,900.00
2017	1,035,000	441,025	1,476,025
2018	1,065,000	388,525	1,453,525
2019	1,100,000	334,400	1,434,400
2020	1,140,000	295,500	1,435,500
2021-2025	2,200,000	1,093,250	3,293,250
2026-2029	4,865,000	685,200	5,550,200
Totals	<u>\$ 12,405,000</u>	<u>\$ 3,724,800</u>	<u>\$ 16,129,800</u>

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

Operating Leases – The District leases office equipment, including copy machines and postage meter machines, under short-term cancelable operating leases.

NOTE 8 Unearned Revenue

In accordance with the terms of the various grant agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to the grantor. The District had no unearned revenues at June 30, 2015.

NOTE 9 Risk Management

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes workers compensation, general and automobile liability, automobile physical damage, and property and crime coverage. Also included under the risk management program are boiler, machinery and student accident insurance.

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

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2015, there have been no claims that have exceeded insurance coverage.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2015:

Fund #	Non-Major Funds	Amount
21000	Food Services	\$ 222,402
24101	Title I IASA	66,622
24106	IDEA-B Entitlement	5,719
24107	IDEA-B Discretionary	9,338
24118	Fresh Fruits and Vegetables USDA	73,847
24132	IDEA-B Results Plan	171,492
24143	ELL Title III Incentive Awards	2,467
24153	English Language Acquisition	45,798
24154	Teacher/Principal Training & Recruiting	124,145
24157	Safe & Drug Free School & Community	1,594
24160	Rural & Low-Income Schools	15,288
24163	Immigrant Funding Title III	19,711
24174	Carl D Perkins Secondary - Current	4,941
24201	Title I - IASA Federal Stimulus	12,721
25184	Indian Ed Formula Grant	11,139
27107	2012 GO Bonds Student Library Fund (SB66)	15,933
27150	Indian Education Act	221
27155	Breakfast for Elementary Students	9,897
27178	2013 School Bus	78,200
28178	GEAR-UP CHE	44,141
28190	GRADS - Instruction	1,649
29130	School Based Health Center	26,117
	Total	\$ 963,382

B. Excess of expenditures over appropriations: The following funds reported expenditures over appropriations:

Fund #	Fund Name	Function	Amount
	Non-Major Funds:		
22000	Athletics	Instruction	\$ 271
24106	IDEA-B Entitlement	Central Services	41,833
24109	IDEA-B Preschool	Support Services - Students	303
24132	IDEA-B Results	Instruction	1,628
27122	Teachers/School Leaders Stipends At-Risk	Instruction	2,367
	Total		\$ 46,402

C. The District had one fund with cash appropriations in excess of available balances for the year ended June 30, 2015. This was in the Private Direct Grants Fund in the amount \$4,755. See Finding FS 2015-001.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 General Information on the Pension Plan – Educational Retirement Board

In order to not repeat the following information multiple times, all information for the pension plan that relates to the three component units – Anansi Charter School, Taos Charter School, and Vista Grande High School - which participate in the plan will be disclosed in this section with the primary government unit.

Plan Description. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates. ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

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

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

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

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

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)

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

A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of defined benefit plan members and the Taos Municipal School District and its component units are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014, employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015, employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Taos Municipal School District were \$1,899,093 for the year ended June 30, 2015. For the related component units those contributions for the year ended June 30, 2015 were as follow: Anansi Charter School - \$100,944; Taos Charter School - \$121,548; and Vista Grande High School - \$83,419.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the Taos Municipal School District reported a liability of \$29,161,411 for its proportionate share of the net pension liability. The reported liability for the component units are: Anansi Charter School - \$1,280,929; Taos Charter School - \$1,731,110; and Vista Grande High School - \$991,648. The Taos Municipal School District's and its component units' proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the Taos Municipal School District's proportion was 0.35894%, which was an increase of 0.00346% from its proportion measured at June 30, 2013. The proportion for Anansi Charter School was 0.02245% which is an increase of 0.00117% from June 30, 2013; Taos Charter School's proportion was 0.03034% which is an increase of 0.00411% from June 30, 2014; and Vista Grande High School's proportion was 0.01738% which was a decrease of 0.00438% from June 30, 2014.

For the year ended June 30, 2015, the Taos Municipal School District recognized pension expense of \$2,189,707. At For the year ended June 30, 2015, the component units recognized the following pension expense: Anansi Charter School - \$107,599; Taos Charter School - \$186,353; and Vista Grande High School recorded a pension income of \$2,173.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)

At June 30, 2015, the Taos Municipal School District and its component units reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government	Deferred Outflows of Resources	Deferred Inflows of Resources	Net (Inflows) Outflows
Differences between expected and actuarial experience	\$ -	\$ (434,401)	\$ (434,401)
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(2,650,895)	(2,650,895)
Changes in proportion and differences between Taos Municipal School's contributions and proportionate share of contributions	495,255	-	495,255
Taos Municipal School's contributions subsequent to the measurement date	1,899,093	-	1,899,093
Total	<u>\$ 2,394,348</u>	<u>\$ (3,085,296)</u>	<u>\$ (690,948)</u>
Anansi Charter School	Deferred Outflows of Resources	Deferred Inflows of Resources	Net (Inflows) Outflows
Differences between expected and actuarial experience	\$ -	\$ (19,081)	\$ (19,081)
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(116,439)	(116,439)
Changes in proportion and differences between Anansi Charter School's contributions and proportionate share of contributions	54,504	-	54,504
Anansi Charter School's contributions subsequent to the measurement date	100,944	-	100,944
Total	<u>\$ 155,448</u>	<u>\$ (135,520)</u>	<u>\$ 19,928</u>
Taos Charter School	Deferred Outflows of Resources	Deferred Inflows of Resources	Net (Inflows) Outflows
Differences between expected and actuarial experience	\$ -	\$ (25,789)	\$ (25,789)
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(157,377)	(157,377)
Changes in proportion and differences between Taos Charter School's contributions and proportionate share of contributions	191,481	-	191,481
Taos Charter School's contributions subsequent to the measurement date	121,548	-	121,548
Total	<u>\$ 313,029</u>	<u>\$ (183,166)</u>	<u>\$ 129,863</u>

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)

Vista Grande High School	Deferred Outflows of Resources	Deferred Inflows of Resources	Net (Inflows) Outflows
Differences between expected and actuarial experience	\$ -	\$ (14,774)	\$ (14,774)
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(90,159)	(90,159)
Changes in proportion and differences between Vista Grande High School's contributions and proportionate share of contributions	-	(204,076)	(204,076)
Vista Grande High School's contributions subsequent to the measurement date	83,419	-	83,419
Total	\$ 83,419	\$ (309,009)	\$ (225,590)

Deferred outflows of resources related to pensions resulting from Taos Municipal School District's and its component units contributions subsequent to the measurement date of June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Primary Government:

Year ended June 30,	
2016	\$ 641,598
2017	641,598
2018	644,133
2019	662,712
2020	-
Thereafter	-
Total	\$ 2,590,041

Anansi Charter School:

Year ended June 30,	
2016	\$ 16,810
2017	16,810
2018	18,286
2019	29,110
2020	-
Thereafter	-
Total	\$ 81,016

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)

Taos Charter School:

Year ended June 30,	
2016	\$ (18,191)
2017	(18,191)
2018	(11,287)
2019	39,354
2020	-
Thereafter	-
Total	<u><u>\$ (8,315)</u></u>

Vista Grande High School:

Year ended June 30,	
2016	\$ 98,525
2017	98,525
2018	89,406
2019	22,553
2020	-
Thereafter	-
Total	<u><u>\$ 309,009</u></u>

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)

Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30- year return assumptions are summarized in the following table:

Asset Class	2014 Long-Term Expected Real Rate of Return	2013 Long-Term Expected Real Rate of Return
Cash	1.50%	0.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the Taos Municipal School District's and its component units' proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

Anansi Charter School:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Anansi Charter School's proportionate share of the net pension liability	<u>\$ 1,742,853</u>	<u>\$ 1,280,930</u>	<u>\$ 895,075</u>

Anansi Charter School:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Anansi Charter School's proportionate share of the net pension liability	<u>\$ 1,742,853</u>	<u>\$ 1,280,930</u>	<u>\$ 895,075</u>

Taos Charter School:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Taos Charter School's proportionate share of the net pension liability	<u>\$ 2,355,377</u>	<u>\$ 1,731,112</u>	<u>\$ 1,209,764</u>

Vista Grande High School:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Vista Grande High School's proportionate share of the net pension liability	<u>\$ 1,349,253</u>	<u>\$ 991,649</u>	<u>\$ 693,057</u>

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)

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

Payables to the pension plan. Taos Municipal School District has no outstanding liability to the pension plan at June 30, 2015.

Anansi Charter School had an outstanding liability of \$31,560 to the pension plan at June 30, 2015 which was paid on July 14, 2015.

Taos Charter School had an outstanding liability of \$39,712 to the pension plan at June 30, 2015 which was paid on July 14, 2015.

Vista Grande High School had an outstanding liability of \$22,748 to the pension plan at June 30, 2015 which was paid on July 15, 2015.

NOTE 12 Post-Employment Benefits – State Retiree Health Care Plan

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

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

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

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

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.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 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 were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, state statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015 the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013, were \$273,127, \$281,169, and \$270,040 respectively, which equal the required contributions for each year.

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 Subsequent Accounting Standard Pronouncements

In January 2013, GASB Statement No. 69, *Government Combinations and Disposals of Government Operation*, was issued. Effective Date: The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The District is still evaluating how this standard will affect the District.

In February 2015, GASB Statement No. 71, *Fair Value Measurement and Application*, was issued. Effective Date: The provisions of this Statement provide guidance for determining a fair value measurement for financial reporting purposes to enhance comparability of financial statements among governments in financial reporting periods beginning after June 15, 2015. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In June 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement established requirements for defined benefit pensions that are not within the scope of Statement No. 68 in financial reporting periods beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 **Subsequent Accounting Standard Pronouncements (Continued)**

In June 2015, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for addressing accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In June 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. Effective Date: The provisions of this Statement identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP) which supersedes Statement No. 55 and is effective for fiscal years beginning after June 15, 2015 and should be applied retroactively. Early application is permitted. The District is still evaluating how this standard will affect the District.

In August 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement require governments that enter into tax abatement agreements to disclose relevant information about those agreements and is effective for fiscal years beginning after December 15, 2015. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

NOTE 15 **Restatement/Prior Period Adjustments**

During the year ended June 30, 2015, there was a restatement in the District's financial statements due to the implementation of GASB 68 and GASB 71 and adjustments to District's capital assets resulting in a reduction in net position in the amount of \$25,188,486.

The change in accounting principle resulted in a reduction in net position of \$29,561,745. This includes the District's proportionate share of the beginning net pension liability of \$31,413,135 less the 2014 contributions to the pension plan in the amount of \$1,851,390.

During review of the District's capital assets, it was determined that accumulated depreciation related to assets removed previously was not removed at the same time and additional adjustments were needed. The net change to capital assets resulted in an increase in net position of \$4,373,259.

The change in accounting principle resulted in reductions in net position for Anansi Charter School in the amount of \$1,254,346. This includes the School's proportionate share of the beginning pension liability of \$1,335,716 less the 2014 contributions to the pension plan in the amount of \$81,370.

Taos Charter School had a reduction in net position in the amount of \$1,536,442 due to the change in accounting principle. This includes the School's proportionate share of beginning pension liability of \$1,646,420 less the 2014 contributions to the plan in the amount of \$109,978.

The change in accounting principle resulted in reductions in net position for Vista Grande High School in the amount of \$1,302,830. This includes the School's proportionate share of the beginning pension liability of \$1,365,845 less the 2014 contributions to the pension plan in the amount of \$63,015.

NOTE 16 **Subsequent Events**

A review of subsequent events through November 09, 2015, the date the financial statements were available to be issued, indicated nothing of audit significance for the primary government. See note for component unit Friends of Anansi Charter School, C. Long Term Debt below for subsequent borrowing.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17 **Component Units**

Anansi Charter School

Anansi Charter School (ACS) is a dependent charter school formed under NMSA 22-8A and as such is presented here as a discrete component unit of Taos Municipal School District. ACS is presented as a component unit since its operating budget and charter are annually presented and approved by the District's board. The New Mexico State Auditor has determined that charter schools are major component units of their respective Districts. Refer to Notes 1 through 16 for significant policies of ACS, as the charter school is subject to the same State and Federal regulations and follows the same policies as the District. The following are summarized details of the charter school's balances and transactions as of June 30, 2015 and for the year then ended:

A. *Revenues*

State Equalization Guarantee: ACS received \$1,285,992 in state equalization guarantee distributions during the year ended June 30, 2015.

Instructional Materials: Allocations received by ACS from the State for the year ended June 30, 2015 totaled \$10,100.

SB-9 State Match: ACS received \$22,398 in state SB-9 matching during the year ended June 30, 2015.

Public School Capital Outlay: ACS received \$85,834 in awards for rent assistance.

Deposits: NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Schools for at 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>US Bank</u>
Total amounts of deposits	\$ 118,117
FDIC coverage	<u>118,117</u>
Total uninsured public funds	<u><u>-</u></u>
Collateral requirement (50% of uninsured public funds)	-
Pledged security	<u>-</u>
Total over (under) collateralized	<u><u>\$ -</u></u>

Funds are maintained in an interest bearing checking account.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, Anansi Charter School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). State law limits deposits of public monies to certain banks or credit unions. In addition, the depository must pledge eligible collateral to the extent of 50% of the balance of uninsured funds. At June 30, 2015, none of the Charter's bank balance of \$118,117 was exposed to custodial credit risk

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17 Component Units (Continued)

Anansi Charter School (continued)

B. Cash and Temporary Investments

Reconciliation of Cash and Temporary Investments

The carrying amount of deposits and investments shown above are included in the District's statement of net position as follows:

Reconciliation to Statement of Net Position	
Governmental Funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 93,551
Add outstanding checks and other reconciling items	<u>24,566</u>
Bank balance of deposits	<u><u>\$ 118,117</u></u>

C. Receivables

Receivables for ACS as of June 30, 2015 are as follow:

	Operational 11000	IDEA-B Entitlement 24106	Bond Building 31100	Public School Cap. Outlay 31200	Cap. Impr. SB-9 31700	Total Governmental Funds
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 132,533	\$ 132,533
Due from other governments	<u>2,168</u>	<u>6</u>	<u>20,688</u>	<u>21,459</u>	<u>-</u>	<u>44,321</u>
Total receivables	<u><u>\$ 2,168</u></u>	<u><u>\$ 6</u></u>	<u><u>\$ 20,688</u></u>	<u><u>\$ 21,459</u></u>	<u><u>\$ 132,533</u></u>	<u><u>\$ 176,854</u></u>

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax revenues in the amount of \$76,901 were not collected within the period of availability and have been reclassified as unavailable revenues in the governmental fund financial statements.

D. Capital Assets

A summary of ACS's capital assets and changes occurring during the year ended June 30, 2015 follows:

	Balance June 30, 2014	Additions	Deletions	Adjustments	Balance June 30, 2015
Capital assets used in governmental activities:					
Capital assets not being depreciated:					
Construction in progress	<u>\$ 102,107</u>	<u>\$ 193,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,306</u>
Capital assets being depreciated:					
Furniture, fixtures, and equipment	<u>61,876</u>	<u>17,943</u>	<u>-</u>	<u>-</u>	<u>79,819</u>
Less accumulated depreciation:					
Furniture, fixtures, and equipment	<u>37,142</u>	<u>6,487</u>	<u>-</u>	<u>-</u>	<u>43,629</u>
Total capital assets, net of depreciation	<u><u>\$ 126,841</u></u>	<u><u>\$ 204,655</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 331,496</u></u>

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17 Component Units (Continued)

Anansi Charter School (continued)

D. Capital Assets

During the year under audit, FACS borrowed \$1,000,000 from a local financial institution for construction of an addition to the building which houses Anansi Charter School. This loan was paid off in July 2015 after the Foundation closed a loan with the USDA for \$1,015,000 which has a term of 40 years with monthly payments of \$4,243. The loan carries an interest rate of 4.0%.

Depreciation expense for the year ended June 30, 2015 was unallocated in the amount of \$6,487.

The current construction in progress, which is joint effort with the Friends of Anansi, had remaining commitments of approximately \$15,000 at June 30, 2015.

Once the construction is completed, the assets will transfer to Friends of Anansi Charter School, which currently holds title to the building, where they will remain until the 20 year lease on the building is complete. At that time, all capital assets of Friends of Anansi Charter School will transfer back to ACS for the remainder of their life.

E. Long-Term Debt

Compensated Absences – The Charter does not accrue a liability for compensated absences. Employees are contracted on an annual basis with all contracts being fully executed by the end of the year. Also, the current leave policy does not award any leave upon termination or retirement.

F. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosure as part of the Combined Statements of certain information concerning individual funds including:

1. Deficit fund balances of individual funds at June 30, 2015 are as follow:

Fund #	Fund Description	Amount
24106	IDEA-B Entitlement	\$ 24,520
27115	Robotics 2012	14,908
31100	Bond Building	52,480
	Total	<u>\$ 91,908</u>

2. Excess of expenditures over appropriations. No funds exceeded budgetary authority at June 30, 2015.
3. ACS had no cash appropriations in excess of available balances for the year ended June 30, 2015.

G. Prepaid Lease Expense.

In May of 2010, Anansi Charter School Paid \$931,562 to the Friends of Anansi Charter School. The funds were used by the Friends of Anansi Charter School to construct and improve real estate which is leased by ACS. The payment represents prepayment of the lease expense for the twenty year period beginning July 1, 2010. Anansi Charter School will amortize the lease payment at the rate of \$3,882 per month. During the year ended June 30, 2015, ACS amortized \$46,584 of the prepaid lease expense.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Anansi Charter School (continued)

H. Post-Employment Benefits- State Retiree Health Care Plan

The School's contributions to Retiree Healthcare for the year ended June 30, 2015, 2014, and 2013 were \$14,526, \$12,376, and \$11,608, respectively, which equal the required contributions for each year.

Friends of Anansi Charter School – Component Unit of Anansi Charter School

Friends of Anansi Charter School, Inc. (Foundation) is a legally separate, tax exempt component unit of Anansi Charter School. The Council is the basic level of government, which has oversight responsibility and control over all activities related to the Foundation. The Foundation operates for the purpose of providing supporting funds to the Anansi Charter School. The Foundation received funds from renting facilities to ACS, donations, and fund raising.

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

The Foundation is reported as a discretely presented component unit of Anansi Charter School, as required in accordance with GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, an amendment of GASB No. 14. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, and this has been taken into consideration in the determination.

A. Cash and Temporary Investments

Reconciliation to Statement of Net Position

Governmental Funds - Balance Sheet

Cash and cash equivalents per Exhibit A-1	\$ 91,930
Add outstanding checks and other reconciling items	<u>7,598</u>
Bank balance of deposits	<u><u>\$ 99,528</u></u>

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Friends of Anansi Charter School (continued)

B. Capital Assets

A summary of the Foundation's capital assets and changes occurring during the year ended June 30, 2015 follows:

	Balance June 30, 2014	Additions	Deletions	Adjustments	Balance June 30, 2015
Capital assets used in governmental activities:					
Capital assets not being depreciated:					
Land	\$ 587,500	\$ -	\$ -	\$ -	\$ 587,500
Construction in progress	23,271	1,002,913	-	-	1,026,184
Total capital assets not being depreciated	<u>610,771</u>	<u>1,002,913</u>	<u>-</u>	<u>-</u>	<u>1,613,684</u>
Capital assets being depreciated:					
Land improvements	37,461	-	-	-	37,461
Buildings and building improvements	1,984,856	-	-	-	1,984,856
Furniture, fixtures, and equipment	23,624	-	-	-	23,624
Total capital assets being depreciated	<u>2,045,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,045,941</u>
Less accumulated depreciation:					
Land improvements	7,895	2,632	-	-	10,527
Buildings and building improvements	223,507	56,071	-	-	279,578
Furniture, fixtures, and equipment	22,594	7,081	-	-	29,675
Total accumulated depreciation	<u>253,996</u>	<u>65,784</u>	<u>-</u>	<u>-</u>	<u>319,780</u>
Total capital assets, net of depreciation	<u>\$ 2,402,716</u>	<u>\$ 937,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,339,845</u>

The current construction in progress had remaining commitments of approximately \$25,000 at June 30, 2015.

Depreciation expense for the year ended June 30, 2015 was \$65,784 and was unallocated.

At the end of the lease term, June 30, 2030, the land, building, and all improvements will transfer to Anansi Charter School in compliance with the terms of the agreement and in compliance with state requirements.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Friends of Anansi Charter School (continued)

C. Long-Term Debt

The Foundation borrowed \$1,800,000 for the purpose of financing the construction of the Anansi Charter School buildings. Funding to pay the debt is from rent charged to the charter school for use of the buildings. The annual requirements to retire this loan as of June 30, 2015 are as follows:

Date of issue: March 19, 2008

Original amount: \$1,800,000

Interest rate: 4.375%

Fiscal Year Ending June 30,	Series 2003 General Obligation Bond		Total Debt Service
	Principal	Interest	
2016	\$ 28,586	\$ 67,750	\$ 96,336
2017	29,861	66,475	96,336
2018	31,195	65,140	96,335
2019	32,587	63,749	96,336
2020	34,041	62,295	96,336
2021-2025	194,404	287,276	481,680
2026-2029	241,844	239,836	481,680
2031-2035	300,859	180,821	481,680
2036-2040	374,277	107,403	481,680
2041-2044	293,926	22,137	316,063
Totals	<u>\$ 1,561,580</u>	<u>\$ 1,162,882</u>	<u>\$ 2,724,462</u>

The Foundation has been paying additional principal payments since 2010 with the intent of paying off the loan by June 30, 2030 so that the loan is extinguished when the lease on the property expires and the property transfers to Anansi Charter School.

During the year under audit, FACS borrowed \$1,000,000 from a local financial institution for construction of an addition to the building which houses Anansi Charter School. This loan was paid off in July 2015 after the Foundation closed a loan with the USDA for \$1,015,000 which has a term of 40 years with monthly payments of \$4,243. The loan carries an interest rate of 4.0%.

Compensated absences: The Foundation does not accrue a liability for compensated absences as it has no employees.

D. Deferred Lease Income

In May of 2010, Friends of Anansi Charter School received \$931,562 from the New Mexico Public Schools Facility Authority. The payment was for advance lease payments for real property from Anansi Charter School. The proceeds were used for construction and improvements of the real property leased to Anansi Charter School. The Foundation will recognize the deferred lease income at the rate of \$3,882 per month over a twenty year period beginning July 1, 2010. During the year ended June 30, 2015, the Foundation recognized \$46,584 of the deferred lease income.

E. Pension Plan – Educational Retirement Act

The Foundation does not participate in ERB.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Friends of Anansi Charter School (continued)

F. Post-Employment Benefits- State Retiree Health Care Plan

The Foundation does not participate in RHCA.

G. Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Service Code.

H. Financial Statement Presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net position: Unrestricted Net Position, Temporarily Restricted Net Position, and Permanently Restricted Net Position. In addition, the Foundation is required to present a statement of cash flows.

I. Statement of Cash Flows

For the purpose of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Taos Charter School

Taos Charter School (TCS) is a dependent charter school formed under NMSA 22-8A and as such is presented here as a discrete component unit of Taos Municipal School District. TCS is presented as a component unit since its operating budget and charter are annually presented and approved by the District's board. The New Mexico State Auditor has determined that charter schools are major component units of their respective Districts. Refer to Notes 1 through 16 for significant policies of TCS, as the charter school is subject to the same State and Federal regulations and follows the same policies as the District. The following are summarized details of the charter school's balances and transactions as of June 30, 2015 and for the year then ended.

A. Revenues

State Equalization Guarantee: TCS received \$1,473,111 in state equalization guarantee distributions during the year ended June 30, 2015.

Instructional Materials: Allocations received by TCS from the State for the year ended June 30, 2015, totaled \$15,154

SB-9 State Match: TCS received \$41,848 in state SB-9 matching during the year ended June 30, 2015.

Public School Capital Outlay: TCS received \$142,100 in awards for rent assistance.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Taos Charter School (continued)

B. Cash and Temporary Investments

Deposits: NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Schools for at 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>US Bank</u>
Total amounts of deposits	\$ 192,309
FDIC coverage	<u>192,309</u>
Total uninsured public funds	<u>-</u>
Collateral requirement (50% of uninsured public funds)	-
Pledged security	<u>-</u>
Total over (under) collateralized	<u>\$ -</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Anansi Charter School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). State law limits deposits of public monies to certain banks or credit unions. In addition, the depository must pledge eligible collateral to the extent of 50% of the balance of uninsured funds. At June 30, 2015, none of the Charter's bank balance of \$192,309 was exposed to custodial credit risk

Reconciliation of Cash and Temporary Investments

The carrying amount of deposits and investments shown above are included in the District's statement of net position as follows:

Reconciliation to Statement of Net Position	
Governmental Funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 152,535
Add outstanding checks and other reconciling items	<u>39,774</u>
Bank balance of deposits	<u>\$ 192,309</u>

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Taos Charter School (continued)

B. Receivables

Receivables for TCS as of June 30, 2015 are as follow:

	IDEA-B		Total
	Entitlement	Teacherage	Governmental
	24106	31700	Funds
Property taxes	\$ -	\$ 239,190	\$ 239,190
Due from other governments	24,711.00	-	24,711
Total receivables	<u>\$ 24,711</u>	<u>\$ 239,190</u>	<u>\$ 263,901</u>

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax revenues in the amount of \$139,464 were not collected within the period of availability and have been reclassified as unavailable revenues in the governmental fund financial statements.

C. Capital Assets

A summary of TCS's capital assets and changes occurring during the year ended June 30, 2015 follows:

	Balance June 30, 2014	Additions	Deletions	Adjustments	Balance June 30, 2015
Capital assets used in governmental activities:					
Capital assets not being depreciated:					
Land	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
Construction in progress	364,140	482,673	(846,813)	-	-
Total capital assets not being depreciated	<u>614,140</u>	<u>482,673</u>	<u>(846,813)</u>	<u>-</u>	<u>250,000</u>
Capital assets being depreciated:					
Land improvements	-	637,500	-	-	637,500
Buildings and building improvements	1,058,421	209,313	-	-	1,267,734
Furniture, fixtures, and equipment	25,465	71,659	-	-	97,124
Vehicles	-	-	-	-	-
Total capital assets being depreciated	<u>1,083,886</u>	<u>918,472</u>	<u>-</u>	<u>-</u>	<u>2,002,358</u>
Less accumulated depreciation:					
Land improvements	-	-	-	-	-
Buildings and building improvements	181,615	52,664	-	-	234,279
Furniture, fixtures, and equipment	11,584	7,334	-	-	18,918
Vehicles	-	-	-	-	-
Total accumulated depreciation	<u>193,199</u>	<u>59,998</u>	<u>-</u>	<u>-</u>	<u>253,197</u>
Total capital assets, net of depreciation	<u>\$ 1,504,827</u>	<u>\$ 1,341,147</u>	<u>\$ (846,813)</u>	<u>\$ -</u>	<u>\$ 1,999,161</u>

The current construction in progress had remaining commitments of approximately \$20,000 at June 30, 2015.

Depreciation expense for the year ended June 30, 2015 was \$59,998 and was unallocated.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Taos Charter School (continued)

D. Long-Term Debt

Compensated Absences – The Charter does not accrue a liability for compensated absences. Employees are contracted on an annual basis with all contracts being fully executed by the end of the year. Also, the current leave policy does not award any leave upon termination or retirement.

E. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosure as part of the combined statements of certain information concerning individual funds including:

1. Deficit fund balances of individual funds at June 30, 2015 are as follow:

Fund #	Fund Description	Amount
24106	IDEA-B Entitlement	\$ 24,712
27107	2012 GO Bonds Student Library Funds	853
31700	Capital Improvements - SB-9	5,403
	Total	<u>\$ 30,968</u>

2. Excess of expenditures over appropriations. At June 30, 2015 TCS had two funds with expenditures over budet:

Fund #	Fund Description and Function	Amount
11000	Operational - Support Services - General Administration	\$ 233
31700	Capital Improvements - SB-9 - Capital Outlay	101,942
	Total	<u>\$ 102,175</u>

3. TCS had no cash appropriations in excess of available balances for the year ended June 30, 2015.

F. Post-Employment Benefits- State Retiree Health Care Plan

The School's contributions to Retiree Healthcare for the year ended June 30, 2015, 2014, and 2013 were \$17,490, \$16,728, and \$14,302 respectively, which equal the required contributions for each year.

Friends of Taos Charter School – Component Unit of Taos Charter School

Friends of Taos Charter School, Inc. (Foundation) is a legally separate, tax-exempt component of Taos Charter School. The Council is the basic level of government, which has oversight responsibility and control over all activates related to the Foundation. The Foundation operates for the purpose of providing supporting funds to the Taos Charter School. The Foundation received funds from tenting facilities to the Charter, donations and fund raising.

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

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Friends of Taos Charter School (continued)

The Foundation is reported as a discretely presented component unit of Taos Charter School, as required in accordance with GASB Statement No. 14, The Financial Reporting Entity, and GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, an amendment of GASB No. 14. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity, and this has been taken into consideration in the determination.

A. Cash and Temporary Investments

Reconciliation to Statement of Net Position

Governmental Funds - Balance Sheet

Cash and cash equivalents per Exhibit A-1	96,016
Add outstanding checks and other reconciling items	<u>1,002</u>
Bank balance of deposits	<u><u>\$ 97,018</u></u>

B. Receivables

At June 30, 2015, the Foundation had receivables of \$23,683 which comprised a lease payment from Taos Charter School which was in transit at year-end, and was received July 1, 2015.

C. Capital Assets

A summary of the Foundation's capital assets and changes occurring during the year ended June 30, 2015 follows:

	Balance June 30, 2014	Additions	Deletions	Adjustments	Balance June 30, 2015
Capital assets used in governmental activities:					
Capital assets being depreciated:					
Buildings and building improvements	\$ 734,956	\$ -	\$ -	\$ -	\$ 734,956
Less accumulated depreciation:					
Buildings and building improvements	<u>146,992</u>	<u>18,374</u>	<u>-</u>	<u>-</u>	165,366
Total capital assets, net of depreciation	<u><u>\$ 587,964</u></u>	<u><u>\$ (18,374)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 569,590</u></u>

The Foundation had no construction commitments at June 30, 2015.

D. Long-Term Debt

Compensated absences: The Foundation does not accrue a liability for compensated absences as it has no employees.

E. Pension Plan – Educational Retirement Act

The Foundation does not participate in ERB.

F. Post-Employment Benefits- State Retiree Health Care Plan

The Foundation does not participate in RHCA.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Friends of Taos Charter School (continued)

G. Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Service Code.

H. Financial Statement Presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net position: Unrestricted Net Position, Temporarily Restricted Net Position, and Permanently Restricted Net Position. In addition, the Foundation is required to present a statement of cash flows.

I. Statement of Cash Flows

For the purpose of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Vista Grande High School

Vista Grande High School (VGHS) is a dependent charter school formed under NMSA 22-8A and as such is presented here as a discrete component unit of Taos Municipal School District. VGHS is presented as a component unit since its operating budget and charter are annually presented and approved by the District's board. The New Mexico State Auditor has determined that charter schools are major component units of their respective Districts. Refer to Notes 1 through 16 for significant policies of VGHS, as the charter school is subject to the same State and Federal regulations and follows the same policies as the District. The following are summarized details of the charter school's balances and transactions as of June 30, 2015 and for the year then ended.

A. Revenues

State Equalization Guarantee: VGHS received \$949,741 in state equalization guarantee distributions during the year ended June 30, 2015.

Instructional Materials: Allocations received by VGHS from the State for the year ended June 30, 2015 totaled \$5,976.

SB-9 State Match: VGHS received \$0 in state SB-9 matching during the year ended June 30, 2015.

Public School Capital Outlay: VGHS received \$45,814 in awards for rent assistance.

B. Cash and Temporary Investments

Deposits: NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Schools for at 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.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Vista Grande High School (continued)

B. Cash and Temporary Investments (continued)

	Cenentinel Bank
Total amounts of deposits	\$ 372,942
FDIC coverage	250,000
Total uninsured public funds	<u>122,942</u>
Collateral requirement (50% of uninsured public funds)	61,471
Pledged security	205,000
Total over (under) collateralized	<u>\$ 143,529</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Anansi Charter School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). State law limits deposits of public monies to certain banks or credit unions. In addition, the depository must pledge eligible collateral to the extent of 50% of the balance of uninsured funds. At June 30, 2015, \$122,942 of Vista Grande's bank balance of \$372,942 was exposed to custodial credit risk.

Reconciliation of Cash and Temporary Investments

The carrying amount of deposits and investments shown above are included in the District's statement of net position as follows:

Reconciliation to Statement of Net Position

Governmental Funds - Balance Sheet

Cash and cash equivalents per Exhibit A-1	322,921
Statement of Fiduciary Net Position - cash per Exhibit D-1	<u>2,612</u>
Total per financial statements	325,533
Add outstanding checks and other reconciling items	<u>47,409</u>
Bank balance of deposits	<u>\$ 372,942</u>

C. Receivables

There were no receivables for VGHS as of June 30, 2015.

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Vista Grande High School (continued)

D. Capital Assets

A summary of VGHS's capital assets and changes occurring during the year ended June 30, 2015 follows:

	Balance June 30, 2014	Additions	Deletions	Adjustments	Balance June 30, 2015
Capital assets used in governmental activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 73,398	\$ 58,172	\$ (131,570)	\$ -	\$ -
Capital assets being depreciated:					
Leashold improvements	-	131,570	-	-	131,570
Furniture, fixtures, and equipment	66,725	-	-	-	66,725
Total capital assets being depreciated	66,725	131,570	-	-	198,295
Less accumulated depreciation:					
Leashold improvements	-	6,579	-	-	6,579
Furniture, fixtures, and equipment	23,472	9,574	-	-	33,046
Total accumulated depreciation	23,472	16,153	-	-	39,625
Total capital assets, net of depreciation	\$ 116,651	\$ 173,589	\$ (131,570)	\$ -	\$ 158,670

The current construction in progress had no commitments at June 30, 2015.

Depreciation expense for the year ended June 30, 2015 was \$16,153 which was unallocated.

E. Long-Term Debt

Compensated Absences – The School provides leave which it will pay out on request upon leaving employment. The liability related to that is listed below. During fiscal year ended June 30, 2015, compensated absences decreased \$1,500 over the prior period adjustment. Changes to compensated absences occurring during the year ended June 30, 2015 are as follow:

	Balance at 06/30/14	Additions	Deletions	Balance at 06/30/15	Due Within One Year
Compensated Absences	\$ 5,275	\$ 6,075	\$ 7,575	\$ 3,775	\$ 3,775

STATE OF NEW MEXICO
TAOS MUNICIPAL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. Component Units (Continued)

Vista Grande High School (continued)

F. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosure as part of the Combined Statements of certain information concerning individual funds including:

1. Deficit fund balances of individual funds at June 30, 2015 are as follow:

Fund #	Fund Description	Amount
14000	IDEA-B Entitlement	\$ 623
27106	2010 GO Bonds Student Library Funds (SB1)	2,021
31100	Bond Building	34,436
31200	Public School Capital Outlay	56,723
31700	Capital Improvements - SB-9	10,704
	Total	<u>\$ 104,507</u>

2. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2015:

Fund #	Fund Description and Function	Amount
11000	Operational - Instruction	\$ 4,355
31100	Bond Building - Capital Outlay	223,972
	Total	<u>\$ 228,327</u>

The school did not establish a budget in Fund 31100 Bond Building and the amount listed above would represent a total expenditure over appropriation.

3. VGHS had no cash appropriations in excess of available balances for the year ended June 30, 2015.

G. Post-Employment Benefits- State Retiree Health Care Plan

The School's contributions to Retiree Healthcare for the year ended June 30, 2015, 2014, and 2013 were \$12,231, \$9,818, and \$11,812 respectively, which equal the required contributions for each year.

APPENDIX C

FORM OF BOND COUNSEL OPINION

August____, 2016

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

**Re: *Taos Municipal School District No. 1, General Obligation Refunding Bonds,
Series 2016***

Ladies and Gentlemen:

We have acted as bond counsel to the Taos Municipal School District No. 1 (the "District") in connection with the issuance of its \$6,690,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds"), dated their date of issuance, with interest payable on September 1, 2016, and semi-annually thereafter on March 1 and September 1, until maturity, and being bonds in registered form maturing on September 1 in the years 2016 through 2028, inclusive.

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

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

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"); however, such interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum tax 75% of the excess of a corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The Bonds and income from the Bonds are exempt from all taxation by the State or any political subdivision thereof.

The opinions set forth above in Paragraph 2 are subject to continuing compliance by the District with covenants regarding federal tax law contained in the proceedings and other documents relevant to the issuance by the District of the Bonds. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance.

The opinions expressed herein are based upon existing law as of the date of issuance and delivery of the Bonds. We express no opinion as of any date subsequent hereto, and our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this opinion.

The obligations of the District related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the District and the security provided therefor, as contained in the Bond Resolution, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

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

As bond counsel, we are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual of interest on, or the ownership of, the Bonds except those specifically addressed in Paragraphs 2 and 3 above.

Respectfully Submitted,

APPENDIX D

CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the Taos Municipal School District No. 1, Taos County, New Mexico (the "District"), in connection with the issuance of the \$6,690,000 Taos Municipal School District No. 1, Taos County, New Mexico, General Obligation Refunding Bonds, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District adopted on June 28, 2016 (the "Resolution"). Pursuant to the Resolution, to allow the underwriters of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) "Annual Financial Information" means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB")) or operating data with respect to the District, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type set forth under the captions "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE" "THE DISTRICT – Student Enrollment," "FINANCES OF THE EDUCATIONAL PROGRAM – Sources of Revenue for General Fund," "FINANCES OF THE EDUCATIONAL PROGRAM - Statement of Activities," "FINANCES OF THE EDUCATIONAL PROGRAM – State Equalization Program, " "FINANCES OF THE EDUCATIONAL PROGRAM – Statement of Activities" and "FINANCES OF THE EDUCATIONAL PROGRAM – Statement of Net Assets" in the Official Statement. Annual Financial Information may, but is not required to, include Audited Financial Statements.

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

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

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

(e) "MSRB" means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke, Suite 600, Alexandria, Virginia 22314, phone (703) 797-6600, fax (703) 797-6708.

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

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

(h) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12), as the same may be amended from time to time.

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

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

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

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

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

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

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders, if material;
- (viii) bond calls, if material or tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities, if material; and
- (xi) rating changes;

- (xii) bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.

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

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

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

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

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

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

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

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

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

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

Date: August __, 2016

BOARD OF EDUCATION
TAOS MUNICIPAL SCHOOL DISTRICT NO. 1

By: _____
James Sanborn, President

TAOS MUNICIPAL SCHOOL DISTRICT NO. 1

By: _____
Dr. Lillian Torrez, Superintendent