

OFFICIAL STATEMENT DATED SEPTEMBER 13, 2018

ROSWELL INDEPENDENT SCHOOL DISTRICT

Chaves County, New Mexico

\$4,210,000 - General Obligation School Building Bonds, Series 2018

NEW ISSUE  
Book-Entry Only

Bank Qualified  
Moody's Rating: Aa2 Underlying/ Aa3 Enhanced

**PURPOSES** Proceeds of the Bonds will be used for the purposes of 1) erecting, remodeling, making additions to and furnishing school buildings within the district, purchasing or improving school grounds, purchasing computer software and hardware for student use in public schools, and providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act or any combination of these purposes; 2) paying costs of issuance.

**THE SERIES 2018 BONDS** The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry-only form, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of 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 August 1 and February 1, commencing February 1, 2019. As long as DTC or its nominee is the registered owners of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants is the responsibility of DTC. See "Book-Entry Only System" in Appendix C. BOKF, NA dba Bank of Albuquerque (or successor) is the Registrar and Paying Agent for the Bonds.

**OPTIONAL PRIOR REDEMPTION** The Series 2018 Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS."

**SECURITY** The Bonds are general obligations of the Roswell Independent School District, Chaves County, New Mexico, payable solely out of general (ad valorem) property taxes that is required to be levied against all taxable property in the District without limitation as to rate or amount.

**BOND AND TAX OPINION** In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing law and assuming continuous compliance with certain covenants in the documents relating to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, (the "Code") interest on the Bonds is excludable from gross income for federal income tax purposes, and the interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that interest on the Bonds is excludable from net income for purposes of certain New Mexico taxes imposed on individuals, estates, trusts and corporations. Delivery of the Series 2018 Bonds is also subject to the delivery of an approving opinion of the Attorney General of the State of New Mexico. Bond Counsel expresses no opinion regarding other federal income tax consequences relating to the accrual or receipt of interest on the Bonds. (See "TAX EXEMPTION" herein.) The District has designated the Bonds as "Qualified Tax Exempt Obligations" for the purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986 (see "Financial Institution Interest Deduction" herein.)

**DELIVERY** When, as and if issued, through DTC's facilities, on or about September 26, 2018.

**DATED DATE** Day of delivery

**DUE DATE** August 1, as shown on the following page:

\$4,210,000 - General Obligation School Bonds, Series 2018									
Year	Principal	Interest Rate	Yield	Cusip # 778550	Year	Principal	Interest Rate	Yield	Cusip # 778550
2019	\$30,000	3.000%	2.000%	LF8	2027	\$365,000	2.700%	2.700%	LP6
2020	50,000	3.000%	2.000%	LG6	2028	365,000	2.800%	2.800%	LQ4
2021	60,000	3.000%	2.000%	LH4	2029	365,000	2.850%	2.850%	LR2
2022	270,000	3.000%	2.050%	LJ0	2030	365,000	3.000%	3.000%	LS0
2023	150,000	3.000%	2.200%	LK7	2031	365,000	3.050%	3.050%	LT8
2024	365,000	3.000%	2.350%	LL5	2032	365,000	3.100%	3.150%	LU5
2025	365,000	3.000%	2.450%	LM3	2033	365,000	3.150%	3.200%	LV3
2026	365,000	3.000%	2.600%	LN1					

**ISSUER**

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Chaves County, New Mexico  
300 N. Kentucky  
P.O. Box 1838  
Roswell, New Mexico 88201  
(575) 627-2500  
(575) 625-2534 - Fax

**BOARD OF EDUCATION**

*President:* Mona Kirk  
*Vice-President:* Ruben James Sanchez  
*Secretary:* Alan Gedde  
*Member:* Dr. Kathleen Pittman  
*Member:* James Edwards

**DISTRICT ADMINISTRATION**

*Superintendent:* Dr. Ann Lynn McIlroy  
*Assistant Superintendent for Finance & Operations:*  
Chad Cole

**BOND COUNSEL**

**FINANCIAL ADVISOR**

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Albuquerque, New Mexico 87110  
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Bank of America Centre  
Albuquerque, New Mexico 87102  
(505) 848-1800

**PAYING AGENT/REGISTRAR**

BOKF, N.A.  
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**PURCHASER**

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400 W Main Street, Suite 153  
Babylon, New York 11702  
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## A FEW WORDS ABOUT OFFICIAL STATEMENTS

Official statements for independent securities issues – like this one – contain the only “official” information about the issues. This Official Statement is not an offer or solicitation for the Bonds, 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.

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### MARKET STABILIZATION

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

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

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

Bond Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico was not requested and did not take part in the preparation of the Official Statement nor has such firm undertaken to independently verify any of the information contained herein. Such firm has no responsibility for the accuracy or completeness of any information furnished in connection with any offer or sale of the Bonds in the Official Statement or otherwise. The legal fees to be paid to bond counsel for services rendered in connection with the issuance of the Bonds is contingent, in part, upon the sale and delivery of such Bonds and all legal fees will be paid from bond proceeds.

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

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

#### **District**

Roswell Independent School District  
300 N. Kentucky  
P.O. Box 1437  
Roswell, New Mexico 88201  
(575) 627-2400  
Attn: Chad Cole

#### **Financial Advisor**

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

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# **\$4,210,000 - General Obligation School Building Bonds, Series 2018**

## **Roswell Independent School District Chaves County, New Mexico**

### **INTRODUCTION**

This Official Statement is furnished to prospective purchasers of Roswell Independent School District, New Mexico, General Obligation School Building Bonds, Series 2018 (the "Bonds" or "Series 2018 Bonds"), issued in the aggregate principal amount of \$4,210,000 by Roswell Independent School District (the "District"). The offering of the Bonds is made only by way of this Official Statement and the Official Notice of Meeting and Sale dated September 13, 2018, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Additional information concerning the District, the Bonds, and other aspects of this offering may be obtained either from the District, or RBC Capital Markets, LLC (the "Financial Advisor") at the address set forth in the section entitled "ADDITIONAL MATTERS."

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

All terms used in this Official Statement that are not defined herein shall have the meanings given such terms in Resolution authorizing issuance of the Bonds to be adopted by the Board of Education of the District (the "Board") on September 13, 2018 (the "Bond Resolution").

#### **The Financial Advisor**

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

#### **The District**

The District is a political subdivision of the State of New Mexico (the "State") organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 3,150 square miles, which includes the City of Roswell (the "City") and unincorporated portions of Chaves County (the "County") in the southeastern or Pecos River Valley area of the State.

#### **Security**

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

#### **Limited Role Of Auditors**

Except for the audited financial statements of the District for the year ended June 30, 2017, contained in Appendix B, this Official Statement presents unaudited financial and statistical information from District records and other sources.

#### **Plan of Finance**

Proceeds of the Series 2018 Bonds will be used for the purposes of 1) erecting, remodeling, making additions to and furnishing school buildings within the district, purchasing or improving school grounds, purchasing computer software and hardware for student use in public schools, and providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act or any combination of these purposes; and 2) paying costs of issuance.

### Selected Debt Ratios

2018 Preliminary Assessed Valuation	\$1,077,709,682
2018 Preliminary Estimated Actual Valuation <sup>(1)</sup>	\$3,510,972,231
District Net Debt as a Percentage of	
Assessed Valuation	3.17%
Estimated Actual Valuation	0.97%
Direct and Overlapping Debt as a % of	
Assessed Valuation	4.44%
Estimated Actual Valuation	1.36%
Estimated Population	50,000
District General Obligation Net Debt Outstanding (Including the Bonds)	\$39,135,000
Estimated Direct & Overlapping General Obligation Debt	\$47,899,238
District Net Debt Per Capita	\$782.70
Direct and Overlapping Debt Per Capita	\$957.98

*(1) Estimated actual valuation is computed by adding TY 2017 exemptions to the assessed valuation and multiplying the result by three.*

## THE BONDS

New Mexico law enables the District to issue the Bonds (Section 6-15-1 through Section 6-15-22, NMSA, 1978). Pursuant to Section 22-18-9, NMSA 1978, the New Mexico Attorney General will provide a written approving opinion with respect to the Bonds. A portion of the Bonds is also subject to the approval of the New Mexico Department of Finance and Administration.

### General Terms

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

### Bond Registrar and Paying Agent

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

### Payment of Principal and Interest; Record Date

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

### Optional Prior Redemption

The Series 2018 Bonds maturing on or after August 1, 2027 may be redeemed prior to their scheduled maturities on August 1, 2026, or on any date thereafter, in whole or in part, at the option of the District, with funds derived from any available and lawful source, at the redemption price of par, plus accrued interest to the date fixed for redemption. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption have been met and moneys sufficient to pay the principal of and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

### Redemption Notices

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



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

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

## **Transfers and Exchanges**

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

## **Limited Book-Entry Responsibilities**

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

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

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

## **SECURITY AND REMEDIES**

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

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

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

## **Limitations of Remedies**

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

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

Note to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

## SOURCES AND USES OF FUNDS

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

<b>Sources:</b>	<b>Series 2018</b>
Par Amount of Bonds	\$4,210,000.00
Net Premium	49,271.85
<b>Total</b>	<b>\$4,259,271.85</b>

<b>Uses:</b>	
Project Fund	\$4,149,698.95
Costs of Issuance	90,750.00
Underwriter's Discount	18,822.90
<b>Total</b>	<b>\$4,259,271.85</b>

## NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM

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

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

**This provision applies to all New Mexico school districts.**

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

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

Moody's downgraded the New Mexico School District Enhancement Program (Pre and Post-Default) to Aa2 from Aa1, and assigned a negative outlook on November 1, 2016, which reflected the State of New Mexico's recent rating downgrade and outlook. On June 18, 2018, Moody's further downgraded the enhancement rating from "Aa2" to "Aa3" and assigned a stable outlook.

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

## DEBT AND OTHER FINANCIAL OBLIGATIONS

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

The preliminary assessed valuation of taxable property within the District is \$1,077,709,682 for tax year 2018. Therefore, the maximum general obligation debt may not exceed \$64,662,581.

After the Bonds are issued, the ratio of total outstanding general obligation debt of the District to the 2018 preliminary assessed valuation will be no greater than 3.16% as summarized below:

2018 Preliminary Assessed Valuation	\$1,077,709,682
Bonded Debt:	
Current Total Outstanding	\$34,925,000
Series 2018 Bonds	4,210,000
Less Debt Service Fund Balance <sup>(1)</sup>	<u>(4,937,182)</u>
NET DEBT	<u>\$34,197,818</u>
Ratio of Estimated Net Debt to 2018 Preliminary Assessed Valuation	3.17%

*(1) The cash balance for the debt service fund was \$6,214,144 as of 6/30/2018.*

*The amount attributable to principal reduction is 78.91%.*

## Outstanding Debt

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

Series	Original Amount Issued	Final Maturity	Principal Outstanding
2010	8,000,000	08/01/2022	5,350,000
2011	9,500,000	08/01/2023	7,125,000
2013	6,500,000	08/01/2028	5,275,000
2015A	8,000,000	08/01/2029	7,300,000
2015B	5,675,000	08/01/2020	2,150,000
2017A	3,730,000	08/01/2032	3,555,000
2017B	5,670,000	08/01/2023	4,170,000
2018	4,210,000	08/01/2033	4,210,000
	<b>\$51,285,000</b>		<b>\$39,135,000</b>

## Debt Service Requirements to Maturity

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

Current Requirements				Series 2018			Total Requirements		
Year	Principal	Interest	Total	Principal	Coupon	Interest	Principal	Interest	Total
2019	\$4,730,000	\$1,125,213	\$5,855,213	\$30,000	3.00%	\$105,922	\$4,760,000	\$1,231,134	\$5,991,134
2020	4,685,000	968,063	5,653,063	50,000	3.00%	124,123	4,735,000	1,092,185	5,827,185
2021	4,880,000	813,463	5,693,463	60,000	3.00%	122,623	4,940,000	936,085	5,876,085
2022	4,180,000	657,213	4,837,213	270,000	3.00%	120,823	4,450,000	778,035	5,228,035
2023	4,335,000	527,213	4,862,213	150,000	3.00%	112,723	4,485,000	639,935	5,124,935
2024	1,955,000	380,213	2,335,213	365,000	3.00%	108,223	2,320,000	488,435	2,808,435
2025	1,955,000	312,563	2,267,563	365,000	3.00%	97,273	2,320,000	409,835	2,729,835
2026	1,955,000	241,413	2,196,413	365,000	3.00%	86,323	2,320,000	327,735	2,647,735
2027	1,955,000	183,763	2,138,763	365,000	2.70%	75,373	2,320,000	259,135	2,579,135
2028	1,955,000	124,275	2,079,275	365,000	2.80%	65,518	2,320,000	189,793	2,509,793
2029	1,260,000	63,900	1,323,900	365,000	2.85%	55,298	1,625,000	119,198	1,744,198
2030	360,000	27,900	387,900	365,000	3.00%	44,895	725,000	72,795	797,795
2031	360,000	18,900	378,900	365,000	3.05%	33,945	725,000	52,845	777,845
2032	360,000	9,900	369,900	365,000	3.10%	22,813	725,000	32,713	757,713
2033				365,000	3.15%	11,498	365,000	11,498	376,498
<b>Total</b>	<b>\$34,925,000</b>	<b>\$5,453,988</b>	<b>\$40,378,988</b>	<b>\$4,210,000</b>		<b>\$1,187,367</b>	<b>\$39,135,000</b>	<b>\$6,641,354</b>	<b>\$45,776,354</b>

## Statement of Estimated Direct and Overlapping Debt

The following is a calculation which is useful to investors in assessing the debt load and per capita debt of the District payable from property taxes. In addition to the outstanding debt of the District, the calculation takes into account debt attributable to taxing entities, which is the responsibility of taxpayers within the boundaries of the District.

	<b>2018 Preliminary Valuation <sup>(1)</sup></b>	<b>G/O Debt Outstanding</b>	<b>Percent Applicable</b>	<b>Amount</b>
State of New Mexico	\$60,802,028,562	\$411,525,000	1.77%	\$7,294,238
Chaves County	1,268,071,535	-	84.99%	-
Eastern NM University - Roswell Branch	1,250,343,351	-	86.19%	-
City of Roswell	729,822,103	1,470,000	100.00%	1,470,000
Roswell Schools	1,077,709,682	39,135,000	100.00%	39,135,000
<b>Total Direct &amp; Overlapping</b>				<b>\$47,899,238</b>

(1) Preliminary, subject to change.

Ratio of Estimated Direct & Overlapping Debt to 2018 Preliminary Assessed Valuation	4.44%
Ratio of Direct & Overlapping Debt to 2018 Preliminary Estimated Actual Valuation	1.36%
Per Capital Direct & Overlapping Debt	\$957.98
Population	50,000

# TAX BASE

## Analysis of Assessed Valuation

Assessed valuation of property within the District is calculated as follows: Of the total estimated actual valuation of all taxable property in the District, 33 1/3% is legally subject to ad valorem taxes. This means the assessment ratio is 33 1/3%. After deduction of certain personal exemptions, the 2018 preliminary assessed valuation is \$1,077,709,682. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor.

The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The actual value of Oil and Gas Production and Equipment (see "Oil and Gas" below) is determined by the Oil and Gas Accounting Commission. Oil and Gas totals are certified in March of the year following production. The analysis of assessed valuation for the previous five years follows.

	2013	2014	2015	2016	2017
<b>Assessments</b>					
Value of Land	\$125,590,446	\$127,806,437	\$130,155,551	\$133,210,589	\$137,092,093
Improvements	710,859,195	722,721,805	743,830,266	766,044,718	776,180,456
Personal Property	32,262,460	33,179,798	29,981,355	30,130,383	33,300,816
Mobile Homes	14,155,802	14,577,903	14,986,685	16,487,204	16,905,805
Livestock	22,708,663	20,103,247	22,463,585	27,421,251	22,149,848
<b>Assessor's Total Valuation</b>	<b>\$905,576,566</b>	<b>\$918,389,190</b>	<b>\$941,417,442</b>	<b>\$973,294,145</b>	<b>\$985,629,018</b>
<b>Less Exemptions</b>					
Head of Family	\$15,416,440	\$15,154,190	\$14,842,770	\$14,522,094	\$14,152,939
Veterans	15,235,892	15,187,617	14,786,343	15,135,913	15,094,420
Other	70,218,603	60,535,588	60,567,382	63,907,086	63,367,036
<b>Total Exemptions</b>	<b>\$100,870,935</b>	<b>\$90,877,395</b>	<b>\$90,196,495</b>	<b>\$93,565,093</b>	<b>\$92,614,395</b>
<b>Assessor's Net Valuation</b>	<b>\$804,705,631</b>	<b>\$827,511,795</b>	<b>\$851,220,947</b>	<b>\$879,729,052</b>	<b>\$893,014,623</b>
<b>Central Assessed</b>	<b>102,765,669</b>	<b>113,830,720</b>	<b>135,051,988</b>	<b>145,629,848</b>	<b>137,669,369</b>
<b>Oil and Gas <sup>(1)</sup></b>	<b>31,953,893</b>	<b>32,184,365</b>	<b>29,808,135</b>	<b>13,594,903</b>	<b>9,662,908</b>
<b>Total Assessed Valuation</b>	<b>939,425,193</b>	<b>973,526,880</b>	<b>1,016,081,070</b>	<b>1,038,953,803</b>	<b>1,040,346,900</b>

	2013	2014	2015	2016	2017	2018*
Residential	\$ 538,563,869	\$ 556,629,431	\$ 577,271,875	\$ 596,861,626	\$ 608,038,794	\$ 625,099,626
Non-Residential	368,907,431	384,713,084	409,001,060	428,497,274	422,645,198	440,571,121
Oil and Gas <sup>(1)</sup>	31,953,893	32,184,365	29,808,135	13,594,903	9,662,908	12,038,935
	<b>\$939,425,193</b>	<b>\$973,526,880</b>	<b>\$1,016,081,070</b>	<b>\$1,038,953,803</b>	<b>\$1,040,346,900</b>	<b>\$1,077,709,682</b>

\* Preliminary. Does not include protested property.

(1) Reflects oil and gas from previous calendar year.

Source: Chaves County Assessor's Office

## History of Assessed Valuation

Listed below is a 10-year history of assessed valuation for the District compared with the City of Roswell and Chaves County. The tax base of the District has increased 28% since 2008 compared with 32% for the City of Roswell and 46% for Chaves County.

<b>Tax Year</b>	<b>Roswell School District</b>	<b>City of Roswell</b>	<b>Chaves County</b>
2018*	\$1,077,709,682	\$729,822,103	\$1,268,071,535
2017	1,040,346,900	714,616,101	1,215,256,720
2016	1,038,953,803	706,561,956	1,232,147,155
2015	1,016,081,070	688,585,449	1,229,814,629
2014	973,526,880	669,328,803	1,177,033,863
2013	927,985,815	648,098,757	1,147,871,669
2012	907,982,540	628,049,448	1,130,231,375
2011	913,139,992	628,102,200	979,844,743
2010	892,362,790	611,117,364	967,820,752
2009	925,767,437	464,160,228	927,471,109
2008	839,161,604	553,135,292	868,584,057

\* Preliminary

Source: Chaves County Assessor's Office

## Major Taxpayers

The following is a list of the top ten largest taxpayers along with the 2017 assessed valuation for each. This table is useful in assessing the concentration risk of the tax base. The largest taxpayers represent 11.92% of the total 2017 assessed valuation.

<b>Taxpayer</b>	<b>Business</b>	<b>2017 AV</b>	<b>% of District AV</b>
Mid America Pipeline	Pipeline	\$29,323,763	2.82%
Southwestern Public Service	Electric Utility	22,308,166	2.14%
BN & SF	Railroad	17,822,906	1.71%
Roswell Hospital	Healthcare	10,312,544	0.99%
Cortez Pipeline	Pipeline	10,250,772	0.99%
Agave Energy	Pipeline	8,995,023	0.86%
El Paso Natural Gas	Gas Utility	8,867,033	0.85%
Central Valley Electric	Electric Utility	5,670,153	0.55%
Transwestern Pipeline	Pipeline	5,325,041	0.51%
HCRI Roswell Medical Facility, LLC	Medical Facility	5,172,920	0.50%
<b>Total</b>		<b>\$124,048,321</b>	<b>11.92%</b>

Source: Chaves 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 2017 tax year and the previous four years. A high level of taxation may impact the District's ability to repay bonds.

<b>With In 20 Mill Limit For General Purposes</b>					
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Chaves County	6.621	6.526	5.433	5.305	5.326
City of Roswell	6.928	6.858	6.763	6.608	6.663
Roswell Schools	0.274	0.271	0.267	0.261	0.262
<b>Total</b>	<b>\$14.720</b>	<b>\$14.539</b>	<b>\$13.334</b>	<b>\$13.025</b>	<b>\$13.118</b>
<b>Over 20 Mill Limit - Interest, Principal, Judgement, ect.</b>					
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Chaves County	0.000	0.000	0.000	0.000	0.000
City of Roswell	1.222	0.540	0.532	0.546	0.554
Roswell Schools	7.680	7.608	7.581	7.535	7.543
Eastern New Mexico University - Roswell	1.932	1.919	1.906	0.851	0.867
<b>Total</b>	<b>\$12.194</b>	<b>\$11.427</b>	<b>\$11.379</b>	<b>\$10.292</b>	<b>\$10.324</b>
<b>Total Levy</b>					
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Chaves County	6.621	6.526	5.433	5.305	5.326
City of Roswell	8.150	7.398	7.295	7.154	7.217
Roswell Schools	7.954	7.879	7.848	7.796	7.805
Eastern New Mexico University - Roswell	1.932	1.919	1.906	0.851	0.867
<b>Total Residential</b>	<b>\$26.017</b>	<b>\$25.082</b>	<b>\$23.842</b>	<b>\$22.466</b>	<b>\$22.575</b>
<b>Total Non-Residential</b>	<b>\$30.797</b>	<b>\$30.070</b>	<b>\$28.993</b>	<b>\$27.668</b>	<b>\$28.312</b>
<b>Total Residential in Unincorporated County</b>	<b>\$18.867</b>	<b>\$18.683</b>	<b>\$17.547</b>	<b>\$16.312</b>	<b>\$16.358</b>
<b>Total Non-Residential in Unincorporated County</b>	<b>\$22.925</b>	<b>\$22.880</b>	<b>\$21.811</b>	<b>\$20.472</b>	<b>\$21.108</b>

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



## School Tax Rates

The following table shows the historical school tax levies on property within the District since the 2007 tax year (2007-08 fiscal year.) The Two Mill Levy is renewed every six years, most recently on February 5, 2013. The District plans to hold an election in 2019 to reauthorize the Two Mill Levy.

Tax Year	Operational		Two Mill Levy		Debt	Total	
	Resid.	Non-Resid.	Resid.	Non-Resid.	Service	Resid.	Non-Resid.
2008	0.278	0.492	1.988	1.984	4.969	7.235	7.445
2009	0.280	0.500	2.000	2.000	5.654	7.934	8.154
2010	0.273	0.500	1.947	2.000	5.696	7.916	8.196
2011	0.272	0.500	1.937	2.000	5.623	7.832	8.123
2012	0.279	0.500	1.986	2.000	5.641	7.906	8.141
2013	0.274	0.500	2.000	2.000	5.680	7.954	8.180
2014	0.271	0.500	1.973	2.000	5.635	7.879	8.135
2015	0.267	0.500	1.945	2.000	5.636	7.848	8.136
2016	0.261	0.493	1.901	1.972	5.634	7.796	8.099
2017	0.262	0.500	1.911	2.000	5.680	7.853	8.180

Source: New Mexico Department of Finance & Administration.

## 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 5%) that is derived by dividing the increase in the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year. *The growth control factor applies to authorized operating levies and to any capital improvements levies but does not apply to levies for paying principal and interest on public general obligation debt.*

## Developments Limiting Residential Property Tax Increases

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

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

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

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

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

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

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

### **Taxation of Oil and Natural Gas Production**

Unlike other property taxes, oil and gas production taxes are determined monthly based on the current month's taxable value of product multiplied by the mill levy certified by the Department of Finance and Administration. The certified mill levy is based on the preceding calendar year's taxable value of product with possible adjustment for current market conditions.

The taxable value of products which are severed and sold from each production unit is an amount equal to one hundred fifty percent (150%) of the value of the output after deducting royalties paid to the United States, the state of New Mexico or any Indian tribe, Indian pueblo or Indian. This net value is then multiplied by the standard assessment ratio (presently 33.3%) to determine the taxable value of products.

Any person engaged in the severance of an oil or gas product from a production unit must file a return on or before the twenty-fifth day of the second month after the month for which a return is required. All taxes due or to be remitted by the operator must accompany the return. Interest penalties are imposed on any overdue taxes.

### **Taxation of Oil and Natural Gas Equipment**

The taxable value of equipment of each production unit is an amount equal to twenty-seven percent (27%) of the cumulative net value of product of a production unit for the preceding calendar year. The net value of equipment so determined is then multiplied by the appropriate assessment ratio and tax rate to determine the amount of equipment taxes due. The producer is billed by the New Mexico Taxation and Revenue Department on or before October 15 of each year for payment by November 30th. Interest penalties are imposed on any overdue taxes.

## Tax Collections

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

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

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

<b>Tax Year</b>	<b>Fiscal Year</b>	<b>Net Taxes Charged to Treasurer</b>	<b>Current Tax Collections <sup>(1)</sup></b>	<b>Current Collections as a % of Net Levied</b>	<b>Current/Delinquent Tax Collections <sup>(2)</sup></b>	<b>Current/Delinquent Collections as a % of Net Levied</b>
2017	17/18	\$32,274,809	\$31,253,663	96.84%	\$31,253,663	96.84%
2016	16/17	31,843,958	30,587,435	96.05%	31,309,032	98.32%
2015	15/16	31,784,408	29,407,031	92.52%	30,724,197	96.66%
2014	14/15	31,399,642	30,453,525	96.99%	31,591,751	100.00%
2013	13/14	29,215,895	28,388,349	97.17%	29,435,749	100.00%
2012	12/13	28,291,667	27,421,479	96.92%	28,466,057	100.00%
2011	11/12	28,178,714	27,151,705	96.36%	28,309,857	100.00%
2010	10/11	28,158,112	26,818,847	95.24%	28,031,646	100.00%
2009	09/10	26,789,562	25,648,807	95.74%	27,022,813	100.00%
2008	08/09	24,585,452	23,494,645	95.56%	26,571,699	100.00%

<sup>(1)</sup> As of June 30 of each year.

<sup>(2)</sup> As of June 30, 2018.

Source: Chaves County Treasurer's Office.

## Interest on Delinquent Taxes

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

## Penalty for Delinquent Taxes

Pursuant to 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.

### **Tax Collection on Oil and Gas Production**

The producer of oil and gas products is required by law to report the value of his production within 65 days after the end of the month in which the products are produced. Payment must be made at the time of reporting. The value upon which the tax levy is imposed (at the prevailing tax rate) is equal to 50% of the well-head price after transaction costs and royalties have been deducted. Interest penalties are imposed on any overdue taxes, although the Oil & Gas Accounting Division of the New Mexico Taxation & Revenue Department experiences few, if any, delinquencies.

### **Tax Collection on Oil and Gas Equipment**

The assessed value of oil and gas equipment is calculated by multiplying the prior calendar year's sales of oil and gas products by .09 (9%). The assessed value determined by this method is then multiplied by the prevailing tax rate. The producer is billed by the Oil and Gas Accounting Division of the New Mexico Taxation & Revenue Department on October 15 of each year. The taxes are payable by November 30 of each year. Interest penalties are imposed on any overdue taxes, although the Division experiences few, if any, delinquencies.

## **THE DISTRICT**

The District is a political subdivision of the State of New Mexico (the "State") organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 3,150 square miles, which includes the City of Roswell (the "City") and unincorporated portions of Chaves County (the "County") in the southeastern or Pecos River Valley area of the State.

With an enrollment of over 10,100 students, the Roswell Independent School District is the 12<sup>th</sup> largest district in the State. The District includes one early literacy center, twelve elementary schools, four junior high schools, one alternative junior-senior high school, one early college-high school and two high schools. The educational program also includes vocational, technical and occupational training.

The District has over 1,100 employees and is the largest employer in Chaves County.

### **School District Powers**

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

### **Management**

The District Board (the "Board"), subject to regulations of the Secretary, develops educational policies for the District. The local school Board shall have the following powers or duties: 1) subject to the rules of the department, develop educational policies for the school; 2) employ a superintendent of schools and fix the superintendent's salary; 3) review and approve the annual school budget; 4) acquire, lease and dispose of property; 5) have the capacity to sue and be sued; 6) acquire property by eminent domain; 7) issue general obligation bonds of the school district; 8) provide for the repair of and maintain all school property; 9) subpoena witnesses and documents in connection with a hearing concerning powers of the school board; 10) except for expenditures for salaries, contract for expenditure of money; 11) adopt rules pertaining to the administration of all powers or duties of the school board; 12) accept or reject any charitable gift, grant, devise or bequest; 13) offer and pay rewards for information leading to the arrest and conviction of offenders in case of theft, defacement or destruction of school property; and 14) give prior approval for any educational program in a public school that is to be conducted, sponsored, carried on or caused to be carried on by

a private organization. Members serve without compensation for four-year terms of office in non-partisan elections held every two years on the first Tuesday in February.

Mona Kirk, President  
Term expires December 31, 2021

Dr. Kathleen Pittman, Member  
Term expires December 31, 2019

Ruben James Sanchez, Vice President  
Term expires December 31, 2019

James Edwards, Member  
Term expires December 31, 2021

Alan Gedde, Secretary  
Term expires December 31, 2021

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

Dr. Ann Lynn McIlroy, Superintendent. Dr. McIlroy was selected and accepted employment as the District's Superintendent of Schools, effective on July 1, 2018. Dr. McIlroy brings twenty-nine years of service and experience within the field of public education, primarily within Southeast New Mexico, which includes four years of classroom teaching, twelve years of service as a school counselor, eight years of service as a high school administrator, and prior to her current position with the Roswell Schools, four years of leadership and service as the Superintendent and chief administrator for the Loving New Mexico Municipal School District. Dr. McIlroy received her Bachelors and Master's Degrees of Education from Hardin-Simmons University, and holds a Doctor of Education and Education Administration from New Mexico State University.

Chad Cole, Assistant Superintendent for Finance & Operations. Mr. Cole has been an employee of the District since 2005 and assumed the position of Assistant Superintendent for Financial Operations in 2009. In 2014 his title changed to Assistant Superintendent for Finance and Operations. Prior to this position, he was the Business Office Supervisor. Mr. Cole has extensive accounting experience having worked in the accounting industry since 1999. Mr. Cole has a Master's Degree in Business Administration from Regis University College and a Bachelors of Business Administration from Eastern New Mexico University.

## **Insurance**

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

## **Intergovernmental Agreements**

The District has entered into various joint powers agreements with other governmental entities in the State that permit them to provide equipment purchases and other services jointly. In addition, the District has entered into agreements with the City to lease certain property to the City for the City's Parks and Recreation program and for the City to provide school crossing guards. The District entered into a joint powers agreement with Eastern New Mexico University – Roswell Branch to coordinate vocational training opportunities.

## School Property

Currently, the District operates and maintains a variety of facilities in meeting its obligations to provide an educational program for the school-aged children residing within its boundaries. The District operates 21 school sites - two senior high schools, four middle schools, 12 elementary schools, one early literacy center (Pre-Kindergarten and Special Needs Kindergarten), one alternative early high school and one early college-high school. The District also uses several portable classrooms, and a section of Eastern New Mexico University campus classrooms, in its educational program.

In addition to the regular educational programs offered for grades kindergarten through 12, the District also provides early literacy education services that are dedicated to pre-kindergarten and special needs kindergarten student populations, at its Early Literacy Center facility. The district has also implemented a dual credit course work program, which aligns high school graduation requirements along a parallel and simultaneous pathway to the requirements for the completion of a college level Associate's Degree, within the students' four year education plan. The district's alternative and early college high schools employ a hybrid model that serves the needs of students that may be experiencing difficulty in traditional high school setting, as well as those that demonstrate an ability and desire to accelerate through high school/college level dual credit course work and Associates degree plans, which are offered in close partnership with Eastern New Mexico University – Roswell. The District also offers a kindergarten through third grade extended school year program, as well as Special Education Services, Title I supplementary Reading and Math enrichment education and bilingual education in grades kindergarten through 12.

The capacity of the school facilities is estimated at 11,500 students (FTE basis).

In addition to the school buildings and their contents, the District owns over 200 acres of land upon which school buildings and facilities are located, approximately 50 acres of additional vacant property, the District Administration Building, a Maintenance Shop and Central Receiving Warehouse. The District also owns 52 acres of water rights. The value of all school facilities and equipment, net of accumulated depreciation, is \$146.3 million.

## Enrollment

Set forth below is the District's enrollment for school years 2013/14 through 2017/18 including special education and bilingual students. For a discussion of the relationship between student enrollment and amounts of financial support provided by the State for public schools, see "FINANCES OF THE EDUCATIONAL PROGRAM - SOURCES OF REVENUES".

	2013-14	2014-15	2015-16	2016-17	2017-18
Elementary	5,331	5,313	5,245	5,198	5,056
Middle School	2,238	2,276	2,295	2,376	2,362
High School	2,635	2,730	2,732	2,735	2,704
<b>Total</b>	<b>10,204</b>	<b>10,319</b>	<b>10,272</b>	<b>10,309</b>	<b>10,122</b>

*Note: Includes Charter School Enrollment.*

*Source: New Mexico Public Education Department.*

## Accreditation

The Roswell Independent School District is accredited in accordance with the laws and administrative authority of the State of New Mexico and the New Mexico Public Education Department.

## FINANCES OF THE DISTRICT

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

### Sources of Revenues for General Fund

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

Local Revenues - Local revenues are a minor source of revenue to the District composed, in part, by a property tax annually levied on and against all of the taxable property within the District for operational purposes. The levy is limited by State law to a rate of 50 cents for each \$1,000 of net taxable value of taxable property. Other sources of local revenues include interest income earned on the District's investments, rentals and sale of property. In fiscal year 2017-18, the District received \$943,321 from local sources.

Federal Revenues - Another minor source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs. In fiscal year 2017-18, the District received \$414,499 in federal revenues for its General Fund.

State Revenues - The District's largest source of annual revenue is derived from the SEG distribution described below. During fiscal year 2017-18, the District received \$70,846,908 from state sources. Such payments represented approximately 98.1% of actual fiscal year 2017-18 General Fund Revenues.

### State Equalization Guarantee

The State Legislature enacted New Mexico's current public school funding formula in 1974. Designed to distribute operational funds to local school districts in an objective manner, the funding formula is based upon the educational needs of individual students and costs of the programs designed to meet those needs. Program cost differentials are based upon nationwide data regarding the relative costs of various school programs, as well as data specific to New Mexico. The objectives of the formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in a objective manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The formula is divided into three basic parts:

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

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

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

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

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

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

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

<b>Year</b>	<b>Program Unit Value</b>	<b>Number of Units</b>	<b>Amount</b>
2013-2014	\$3,817.55	17,807.42	\$67,710,562
2014-2015	4,007.75	17,925.95	71,580,881
2015-2016	4,027.75	17,916.97	72,165,056
2016-2017	3,979.63	17,464.09	69,500,616
2017-2018	4,053.55	17,409.79	70,571,470

*Note: Includes Charter School SEG Payments.*

*Source: New Mexico Public Education Department.*

The PED receives Federal mineral-leasing funds from which it makes annual allocations to the school district for purchasing textbooks. In 2017-18, the District used \$555,292 of cash for textbook purchases.

The District is also reimbursed by the State for the costs of transporting pupils to and from school. These payments are based upon a formula consisting of the number of students per square mile that are transported. In 2017-18 the District received \$2,272,787 for transportation purposes.

### **District Budget Process**

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

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

No school board, officer or employee of a school district may make an expenditure or incur any obligation for the expenditure of public funds unless that expenditure is made in accordance with an operating budget approved by PED. This requirement, however, does not prohibit the transfer of funds between line items within a series of a budget. Final



budgets may not be altered or amended after approval by PED except upon the District's request to PED. An instance in which such requests will be approved include a change within the budget that does not increase the total amount of the budget. Additional budget items may also be approved if the District is to receive unanticipated revenues. Finally, if it becomes necessary to increase the District's budget by more than \$1,000 for any reason other than those listed above, PED may order a special public hearing to consider the requested increase.

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

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

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## Statement of Net Assets

The following is a history of the District's Statement of Net Assets. See financial statements for the fiscal year ending June 30, 2017 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2017 and the last four years can be downloaded from the State Auditor's website using the following link [http://www.saonm.org/audit\\_reports](http://www.saonm.org/audit_reports).

	2013	2014	2015	2016	2017
	Governmental	Governmental	Governmental	Governmental	Governmental
	Activities	Activities	Activities	Activities	Activities
<b>Assets</b>					
Current Assets					
Cash and cash equivalents	\$29,471,617	\$25,711,737	\$33,753,017	\$36,627,086	\$35,130,070
Taxes receivable	4,463,415	5,848,208	5,212,015	5,307,573	5,285,586
Other receivables	77,404	203,434	-	-	134,671
Prepaid Assets	-	-	337,109	413,433	358,439
Inventories	920,009	859,354	506,304	813,848	382,578
Bond costs	236,775	-	-	-	115,376
Capital assets					223,772,128
Land & land improvements	9,883,816	9,707,941	9,774,327	9,418,020	
Buildings & building improvements	96,874,824	96,577,934	116,689,115	130,405,589	
Equipment, fixtures & furniture	2,290,254	1,940,477	2,520,216	2,721,093	
Intangibles	505,054	970,210	291,370	206,353	
Construction in progress	4,066,321	35,787,710	18,241,302	3,576,301	-
Less: Accumulated depreciation	-	-	-	-	(76,218,956)
Total capital assets	113,620,269	144,984,272	147,516,330	146,327,356	147,553,172
<b>Total Assets</b>	<b>\$148,789,489</b>	<b>\$177,607,005</b>	<b>\$187,324,775</b>	<b>\$189,489,296</b>	<b>\$188,959,892</b>
<b>Deferred outflows related to pensions</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,579,912</b>	<b>\$11,075,362</b>	<b>\$17,464,929</b>
<b>Liabilities</b>					
Accounts payable & accrued expenses	\$6,141,589	\$7,235,492	\$6,038,344	\$6,481,933	\$7,317,404
Deferred revenue	118,834	118,827	118,834	118,834	-
Bond premiums, net of amortization	558,279	648,718	1,349,567	1,165,026	1,203,324
Compensated absences	497,898	457,192	470,778	490,883	56,228
Long-term liabilities					
Due within one year					
Bonds, capital leases and contracts	3,910,000	3,950,000	4,425,000	4,195,000	4,640,000
Due in more than one year					
Bonds, capital leases and contracts	39,750,000	42,300,000	45,255,000	41,060,000	36,310,000
Net Pension Liability	-	-	96,959,779	109,733,292	121,891,033
<b>Total Liabilities</b>	<b>\$50,976,600</b>	<b>\$54,710,229</b>	<b>\$154,617,302</b>	<b>\$163,244,968</b>	<b>\$171,417,989</b>
<b>Deferred inflows</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,469,798</b>	<b>\$3,022,479</b>	<b>\$1,548,630</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	\$69,960,269	\$104,516,346	\$107,407,789	\$108,917,624	\$111,506,460
Restricted for:					
Capital projects	9,429,443	-	-	-	2,628,975
Debt service	4,407,898	4,407,192	6,225,127	6,040,566	5,608,950
Special Revenue	-	-	-	-	7,479,588
Unrestricted	14,015,279	13,973,238	(83,814,501)	(80,660,980)	(93,765,771)
<b>Total Net Assets</b>	<b>\$97,812,889</b>	<b>\$122,896,776</b>	<b>\$29,818,415</b>	<b>\$34,297,210</b>	<b>\$33,458,202</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$148,789,489</b>	<b>\$177,607,005</b>	<b>\$194,905,515</b>	<b>\$200,564,658</b>	<b>\$206,424,821</b>

Source: The figures above have been extracted from the District's audited financial statements.

Such figures are excerpts only and do not purport to be complete.

A portion of the independent audit report for year ended June 30, 2017 is attached in Appendix B.

## Statement of Activities

The following is a history of the District's Statement of Activities. See financial statements for the fiscal year ending June 30, 2017 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2017 and the last four years can be downloaded from the State Auditor's website using the following link [http://www.saonm.org/audit\\_reports](http://www.saonm.org/audit_reports).

	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
	<b>Governmental Activities</b>	<b>Governmental Activities</b>	<b>Governmental Activities</b>	<b>Governmental Activities</b>	<b>Governmental Activities</b>
Direct Instruction	(\$43,372,667)	(\$44,662,614)	(\$47,718,337)	(\$48,657,043)	(\$46,790,994)
Support services - students	(6,833,899)	(7,099,002)	(7,296,870)	(7,633,189)	(9,149,469)
Support services - instruction	(1,697,394)	(1,727,996)	(1,917,240)	(1,493,689)	(1,248,971)
Support services - general administration	(1,502,795)	(1,594,255)	(1,557,287)	(1,502,555)	(1,622,193)
Support services - school administration	(4,064,803)	(4,269,706)	(4,741,476)	(5,111,719)	(4,486,442)
Central services	(2,423,815)	(2,639,729)	(2,919,388)	(3,456,459)	(2,665,285)
Operation/maintenance of plant	(7,792,931)	(8,519,378)	(8,740,793)	(9,181,442)	(8,880,006)
Transportation services	(149,598)	(139,592)	(170,565)	(200,401)	(347,283)
Food services	(238,682)	(152,558)	407,574	656,360	(853,525)
Other support services	(60,016)	(329,249)	(259,578)	(15,231)	(8,106)
Facilities acquisition and construction	8,051,261	22,220,361	2,842,480	1,661,375	-
Interest on long-term debt	(1,325,597)	(1,371,243)	(1,500,836)	(1,255,708)	(1,275,513)
Total governmental activities	<b><u>(\$61,410,936)</u></b>	<b><u>(\$50,284,961)</u></b>	<b><u>(\$73,572,496)</u></b>	<b><u>(\$76,189,701)</u></b>	<b><u>(\$77,327,787)</u></b>

### *General Revenues:*

#### *Property Taxes / Oil & Gas Taxes levied for:*

General purposes	337,664	352,619	365,083	367,974	376,654
Capital projects	1,792,195	1,818,932	1,966,040	2,339,762	2,116,998
Debt service	5,078,163	5,311,362	5,542,764	5,652,319	5,920,017
New Mexico State Equalization Grant	64,491,805	67,703,850	71,580,763	71,927,902	67,547,830
Unrestricted investment earnings	50,500	23,009	30,180	42,049	111,698
Miscellaneous	146,199	396,436	320,483	461,363	428,401
Special item - gain (loss) on sale of assets	-	-	-	(122,873)	-
Transfers	(99)	(585)	-	-	-
Subtotal, general revenues	<b><u>71,896,427</u></b>	<b><u>75,605,623</u></b>	<b><u>79,805,313</u></b>	<b><u>80,668,496</u></b>	<b><u>76,501,598</u></b>
Changes in net assets	10,485,491	25,320,662	6,232,817	4,478,795	(826,189)
Net assets, beginning	87,327,398	97,576,114	122,896,776	29,818,415	34,297,210
Prior Period Restatement (Note 16)	-	-	(99,311,178)	-	-
Nets assets, ending	<b><u>\$97,812,889</u></b>	<b><u>\$122,896,776</u></b>	<b><u>\$29,818,415</u></b>	<b><u>\$34,297,210</u></b>	<b><u>\$33,471,021</u></b>

*Source: The figures above have been extracted from the District's audited financial statements.*

*Such figures are excerpts only and do not purport to be complete.*

*A portion of the independent audit report for year ended June 30, 2017 is attached in Appendix B.*

## Balance Sheet – General Fund

The following is a history of the District's General Fund Balance Sheet. The General Fund includes Operational, Transportation and Instructional Materials. See financial statements for the fiscal year ending June 30, 2017 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2017 and the last four years can be downloaded from the State Auditor's website using the following link [http://www.saonm.org/audit\\_reports](http://www.saonm.org/audit_reports).

	2013	2014	2015	2016	2017
<b>Assets:</b>					
Cash	\$ 7,935,566	\$ 7,489,178	\$10,759,767	\$13,526,953	\$ 5,528,079
Investments	1,101	1,102	1,059	1,062	1,067
Property taxes receivables	17,059	52,998	17,917	19,784	21,181
Due from other governments	92,639	-	-	32	-
Interfund receivable	4,134,193	4,585,422	4,888,482	5,492,615	11,540,225
Other recievables	-	-	40,522	8,840	61,159
Prepaid expenses	22,180	21,398	66,996	93,588	108,305
Inventory	689,567	614,780	309,242	526,422	196,136
<b>Total</b>	<u>\$ 12,892,305</u>	<u>\$ 12,764,878</u>	<u>\$16,083,985</u>	<u>\$19,669,296</u>	<u>\$17,456,152</u>
<b>Liabilities:</b>					
Accounts payable	\$ 182,316	\$ 241,364	\$ 278,897	\$ 134,962	\$ 295,284
Accrued expenses	3,744,570	4,461,742	4,155,061	4,391,373	4,651,166
Interfund Payables	-	-	637	-	-
Deferred revenue	5,751	6,663	-	-	-
<b>Total</b>	<u>\$ 3,932,637</u>	<u>\$ 4,709,769</u>	<u>\$ 4,434,595</u>	<u>\$ 4,526,335</u>	<u>\$ 4,946,450</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - delinquent property taxes	\$ -	\$ -	\$ 10,344	\$ 13,208	\$ 16,968
<b>Fund Equity:</b>					
Nonspendable	\$ 4,845,940	\$ 5,221,600	\$ 5,264,720	\$ 6,112,625	\$ 304,441
Restricted by grantor	448,334	718,219	475,472	488,163	300,844
Assigned	-	-	3,442,167	3,680,158	5,322,501
Undesignated	3,665,384	2,115,290	2,456,687	4,848,807	6,564,948
<b>Total</b>	<u>\$ 8,959,658</u>	<u>\$ 8,055,109</u>	<u>\$11,639,046</u>	<u>\$15,129,753</u>	<u>\$12,492,734</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 12,892,295</u>	<u>\$ 12,764,878</u>	<u>\$16,083,985</u>	<u>\$19,669,296</u>	<u>\$17,456,152</u>

Source: The figures above have been extracted from the District's audited financial statements.

Such figures are excerpts only and do not purport to be complete.

A portion of the independent audit report for year ended June 30, 2017 is attached in Appendix B.

## Statement of Revenues & Expenditures – General Fund

The following is a history of the District's General Fund Statement of Statement of Revenues, Expenditures & Changes in Fund Balances. The General Fund includes Operational, Transportation and Instructional Materials. See financial statements for the fiscal year ending June 30, 2017 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2017 and the last four years can be downloaded from the State Auditor's website using the following link [http://www.saonm.org/audit\\_reports](http://www.saonm.org/audit_reports).

	2013	2014	2015	2016	2017
<b>Revenues:</b>					
Local Sources	\$ 342,724	\$ 756,390	\$ 845,536	\$ 703,786	\$ 385,188
State Sources	65,963,330	68,417,698	72,439,194	72,663,329	68,574,121
Federal Sources	251,595	224,307	276,009	272,409	414,499
Transportation distribution	2,394,424	2,606,575	2,378,360	2,643,257	2,272,787
Charges for services	26,294	-	64,600	-	66,486
Investment income	18,267	9,849	17,406	23,874	60,246
Miscellaneous	129,291	389,838	381,276	352,125	428,401
<b>Total</b>	<b>\$ 69,125,925</b>	<b>\$ 72,404,657</b>	<b>\$ 76,402,381</b>	<b>\$ 76,658,780</b>	<b>\$ 72,201,728</b>
<b>Expenditures:</b>					
Direct Instruction	42,146,469	43,424,736	45,344,057	45,228,121	46,121,057
Support services - students	6,436,015	6,686,030	6,329,741	6,497,810	7,125,688
Support services - instruction	1,593,352	1,628,512	1,782,482	1,363,284	1,331,799
Support services - general administration	1,333,516	1,436,255	1,361,426	1,277,405	1,398,803
Support services - school administration	3,826,579	4,050,295	4,370,759	4,587,502	4,644,695
Central services	2,279,515	2,506,501	2,712,237	3,156,667	2,924,525
Plant operation & maintenance	7,330,202	8,091,470	8,134,447	8,432,385	8,804,823
Food Services	-	-	-	-	-
Non-instructional	56,459	312,712	242,300	14,161	9,369
Transportation services	2,393,218	2,607,794	2,376,880	2,642,987	2,394,969
Facilities acquisition & construction	71,212	64,901	222,372	186,738	106,595
<b>Total</b>	<b>\$ 67,466,537</b>	<b>\$ 70,809,206</b>	<b>\$ 72,876,701</b>	<b>\$ 73,387,060</b>	<b>\$ 74,862,323</b>
<b>Excess Revenues over Expenditures</b>	<b>\$ 1,659,388</b>	<b>\$ 1,595,451</b>	<b>\$ 3,525,680</b>	<b>\$ 3,271,720</b>	<b>\$ (2,660,595)</b>
Fund Balance Beginning of Year	\$ 7,394,453	\$ 8,959,658	\$ 8,055,109	\$ 11,639,046	\$ 15,129,753
Other sources	\$ -	\$ -	\$ -	\$ -	\$ 23,576
Transfers in (out)	\$ -	\$ -	\$ 363,795	\$ -	\$ -
Change in inventory	(94,288)	(2,500,000)	(305,538)	218,987	-
Fund Balance Restated	7,300,165	6,459,658	8,113,366	11,858,033	15,153,329
<b>Fund Balance at End of Year</b>	<b>\$ 8,959,553</b>	<b>\$ 8,055,109</b>	<b>\$ 11,639,046</b>	<b>\$ 15,129,753</b>	<b>\$ 12,492,734</b>
<b>Fund Balance as % of Revenues</b>	<b>12.96%</b>	<b>11.13%</b>	<b>15.23%</b>	<b>19.74%</b>	<b>17.30%</b>

Source: The figures above have been extracted from the District's audited financial statements.

Such figures are excerpts only and do not purport to be complete.

A portion of the independent audit report for year ended June 30, 2017 is attached in Appendix B.

## 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.

The Oil and Gas Accounting Commission remits taxes on oil and gas production and equipment to the District in a similar manner but the receipts are distributed on a monthly basis.

## Capital Projects

This fund provides the financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the issuance of general obligation bonds that have been approved by the voters of the School District, special Legislative appropriations, education technology notes, and special grants from the federal and state government.

## Major Funds Maintained by the School District

The District reports the following major governmental funds:

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

The *Bond Building Capital Projects Fund* is used to account for the erecting, remodeling, additions and furnishings of school buildings. The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

The *Public Schools Capital Outlay* is used to account for the Public Schools Capital Outlay Council's (PSCOC) revenue and expenditures related to the donation of capital assets.

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

The *Cafeteria Special Revenue Fund* is utilized to account for Federal and Local sources of income relating to the food service programs. The Cafeteria Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of the National School Lunch Program, which is administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. The Non-Federal funds consist of income derived from Snack-Bar facilities located in the District. Authority for the creation of this fund is NMSA 22-13-13.

The *IDEA B Entitlement Special Revenue Fund* is used to account for revenue used to help maximize the resources in meeting the objective of handicapped children. The federal revenues in this fund are received from and administered

by the New Mexico Public Education Department. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17. Employees and Retirement Plan

### ERA Pension Plan

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

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

<b>Fiscal Year Ending June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Average Asset Balance</b>
2013	\$299,657,530	\$248,785,187	\$10,358,058,861
2014	362,462,537	268,693,991	11,442,171,449
2015	395,129,621	294,560,840	11,642,543,051
2016	396,988,557	293,847,970	11,532,837,951
2017	395,843,795	292,809,008	12,509,355,910

*Source: State of New Mexico Educational Retirement Board.*

### Contributions

The contribution requirements of plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2016 employers contributed 13.90% 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 10.70% of their gross annual salary. For fiscal year ended June 30, 2017 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$6,908,542 for the year ended June 30, 2017.

### 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, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016. At June 30, 2017, the District and the Component Unit reported a liability of \$121,891,033 and \$880,124 respectively, for their proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. The District's and Charter's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2017. The contribution amounts were defined by Section 22-11-21, NMSA 1978.

At June 30, 2017, the District's proportion was 0.34933 percent, which was a decrease of 0.01426 from its proportion measured as of June 30, 2016. For the year ended June 30, 2017, the District and the Component Unit recognized pension expense of \$11,202,865 and \$98,285 respectively.

### Post-Employment Benefits

Plan Description: The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care

Authority ("RHCA"). The RHCA provides health care insurance and prescription drug benefits to retired employees 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 post-employment healthcare plan. That report can be obtained by writing to RHCA, 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

### Funding Policy

The Retiree Health Care Act (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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee is 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 contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$994,161, \$963,474, and \$936,100, respectively, which equal the required contributions for each year.



## TAX EXEMPTION

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

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

The Code prescribes a number of qualifications that must be met and conditions that must be satisfied in order for the interest on state and local government obligations such as the Bonds to be and remain excluded from gross income for federal income tax purposes. Some of these provisions, including provisions for the rebate by the issuer of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income taxes. The District covenants in the Bond Resolution to take all actions that may be required of it in order for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

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

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

### Internal Revenue Service Audit Program

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

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

## **FINANCIAL INSTITUTION INTEREST DEDUCTION**

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

## **ORIGINAL ISSUE DISCOUNT**

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

## **ORIGINAL ISSUE PREMIUM**

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

## **LITIGATION**

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

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

## **RATINGS**

Moody's, has given the Bonds underlying ratings of Aa2 Underlying and Aa3 Enhanced. These rating reflects only the views of such rating agency, and an explanation of the significance of the ratings may be obtained only from each rating agency. There is no assurance that the ratings will continue for any given period of time or that the ratings will not be revised downward, upward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an effect on the market price of the Bonds.

## LEGAL MATTERS

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

### Recent Events

Two lawsuits have been filed challenging the funding of the State's primary and secondary education system. In March 2014, individual plaintiffs in New Mexico District Court in McKinley County brought suit against the State, among others, alleging, among other things, that the State's educational funding formula violates the sufficiency of education and uniform system of public schools provision of the New Mexico Constitution and asks the court for injunctive relief ordering the State to develop a budget and funding formula that sufficiently, uniformly and equitably funds the public school system. In April 2014, individual plaintiffs in New Mexico District Court in Santa Fe County brought suit against the State, among others, alleging, among other things, that the State has failed to provide a sufficient and uniform system of education in violation of the sufficiency, uniformity, equal protection and due process provisions of the New Mexico Constitution because of an inadequate and arbitrary funding system.

The two lawsuits were consolidated in 2015. The lawsuits asked for a declaratory judgment and injunctive relief requiring the adoption of a school finance system to remedy these violations. Neither lawsuit asked for a specific award of damages. The consolidated cases were tried in 2017. On July 20, 2018 the District Court entered its Decision which concluded that the State has failed to provide educational funding sufficient to meet its obligations under Article XII, §1 of the New Mexico Constitution, the state Constitution's Equal Protection Clause and its Due Process Clause with respect to "at risk" students. The District Court entered a Declaratory Judgment as to the Constitutional violations and an Injunction directing the state to take immediate steps, prior to April 15, 2019, to provide sufficient resources to "at risk" students. The Decision is expected to affect future funding for all school age students. The state has indicated it intends to appeal the foregoing Decision.

## CONTINUING DISCLOSURE UNDERTAKING

For the benefit of bondholders and to enable a broker, dealer or municipal securities dealer to comply with requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission, the District has undertaken to provide to the Municipal Securities Rulemaking Board's (the "MSRB") Electronic Municipal Market Access ("EMMA") system, its audited financial statements and certain financial and operating information. The District will provide financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "THE DISTRICT- "Enrollment," and "FINANCES OF THE DISTRICT - State Equalization Guarantee, Statement of Revenues & Expenditures – General Fund." The District will update and provide this information no later than March 31 of each year, commencing March 31, 2019. A draft of the Continuing Disclosure Undertaking is attached hereto as Appendix E.

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

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

## Event Notices

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

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

## Limitations and Amendments

The District may amend its undertaking from time to time without consent of the Bondholders, if the District delivers to EMMA an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect hereto, will not adversely affect compliance of the undertaking and the District with the Rule (except that no opinion of counsel shall be required with respect to a change in the date by which the annual financial and operating information must be reported resulting from a change in the District's fiscal year). The undertaking will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, the undertaking, or any provision thereof, will be null and void in the event the District delivers to EMMA an opinion of nationally recognized bond counsel to the effect that those portions of the Rule that require the undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds.

Any failure of the District to provide the annual financial information or any material event notice does not constitute an Event of Default with respect to the Bonds, and an action seeking to compel performance of the undertaking shall be the sole remedy in the event the District fails to comply with the undertaking.

## Compliance with Prior Undertaking

The annual disclosure report and audit for fiscal year 2015 was timely filed, however, the CUSIP numbers for the Series 2009 were not linked to the report or audit. For fiscal year 2013, the audit was filed one day late for the Series 2005 Bonds and the accreditation information was not provided in the annual disclosure report for the Series 2007 and Series 2009 Bonds. The Official Statements for Bonds issued in 2012 and 2013, however, stated that the accreditation was granted in 2011 with the next accreditation scheduled for 2014 which covers fiscal year 2013. The annual report, audit and late notices were posted on EMMA on 9/19/2018. The Series 2007 Bonds were refunded in 2015 and both the Series 2005 and Series 2009 Bonds were refunded in 2016.

Except for the aforementioned, the District has made continuing disclosure agreements in accordance with SEC Rule 15c2-12 for the past five years and is in material compliance with such agreements.

## ADDITIONAL MATTERS

All summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data and other related reports described in this Official Statement are subject to the actual provisions of such documents. The

summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the District located at the School Administration Office, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Boulevard, NE, Suite 110, Albuquerque, New Mexico 87110.

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

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

## A LAST WORD

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

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

/s/ \_\_\_\_\_  
President, Board of Education

/s/ \_\_\_\_\_  
Secretary, Board of Education

## APPENDIX A

### ECONOMIC & DEMOGRAPHIC INFORMATION

## THE ECONOMY

The Roswell Independent School District serves residents of the City of Roswell (2010 U.S. Census 48,366) and the surrounding agricultural area.

The City of Roswell is located in the heart of the Pecos River Valley area at the confluence of the Pecos and Rio Hondo Rivers. The City is 200 miles southeast of Albuquerque, the State's largest city and is served by U.S. Highways 70, 285 and 380. In addition, the City's transportation needs are served by five motor and one railroad freight carriers, two commercial airlines and bus service.

The City was founded in the early 1870s as a center for cattle ranching, then for agriculture and later for petroleum. The economy of the City is now based primarily upon agriculture, oil and gas production, industrial manufacturing and wholesale and retail distribution.

The City of Roswell operates a public library, the Toles Learning Center, several fire stations, a police department, and independent water and sewer. The Eastern New Mexico Medical Center is the regional healthcare center for Chaves County and southeastern New Mexico with 220 acute care hospital rooms split between the center's north and south facilities. There is also a 15,000 square foot cancer center offering medical and radiation oncology services. The city also has three retirement homes and a state supported rehabilitation hospital. The prestigious New Mexico Military Institute is located near the center of the city. The county is also served by Eastern New Mexico University - Roswell.

### Agriculture

The District is located in the fertile Pecos River Valley, one of the State's most productive agricultural regions. Agricultural crops grown in the area include chile, cotton, hay, alfalfa, sorghums, pecans, corn and vegetables. The County is the one of the largest producer of hay, alfalfa and corn in the state. Cotton and alfalfa farming, cattle feeding and dairy farming are the most prominent activities in the Roswell School District.

Of the 40 dairies in Chaves County, there are approximately 16 dairies within the District boundaries. In 2015, there was over 170,000 head of cattle in the County, of which approximately 80,000 are milking cattle and the remainder "dry" or replacement cows. There are also 26,500 beef cattle in the County<sup>1</sup>.

Chaves County is the largest milk producing county in New Mexico, accounting for 25.4% of all receipts from milk for the State (2015 New Mexico Agricultural Statistics).

The Leprino Foods Company, located near Roswell, is the largest manufacturer of mozzarella cheese in the U.S. Currently the company produces bulk packaged Italian cheese (mozzarella and provolone) and 35% dry-based whey protein concentrate and lactose powders. The facility produces bulk, diced and shredded frozen Italian cheeses for commercial use. Estimated production is 4 million lbs. of milk per day and the number of employees is over 500.

A portion of the Permian Basin of Texas and New Mexico lies within the District. Over 35% of the State's natural gas production is located in southeastern New Mexico (Lea, Eddy, Chaves and Roosevelt Counties). Over 95% of the State's oil production is located in southeastern New Mexico. Chaves County was the 6<sup>th</sup> largest oil producer in New Mexico and the 6<sup>th</sup> largest gas producer in the State in 2017.

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<sup>1</sup> USDA New Mexico Annual Statistics Bulletin. 2015 New Mexico Agricultural Statistics  
<http://www.nmda.nmsu.edu/wp-content/uploads/2015/02/Ag-Stats2015.pdf>

The oil and gas industry is an important component of the Chaves County economy. The following tables present the history of oil and gas production in the County and the State as reported to the State Department of Taxation & Revenue by the Oil and Gas Accounting Division<sup>1</sup>.

#### CRUDE OIL SALES - COUNTY COMPARISON

County	2013		2014		2015	
	Volume (bbls)	Value (\$000s)	Volume (bbls)	Value (\$000s)	Volume (bbls)	Value (\$000s)
Eddy	53,330,702	\$4,940,701	60,463,953	\$5,081,431	71,527,491	\$3,186,027
Lea	45,543,543	4,216,309	57,633,462	4,833,961	66,685,460	2,986,951
San Juan	1,393,622	118,921	2,471,661	193,423	4,112,885	156,173
Sandoval	757,246	67,276	1,833,371	142,639	2,682,370	102,449
Chaves	1,540,044	140,675	1,517,894	119,918	1,344,064	59,112
Rio Arriba	1,119,881	94,937	1,463,514	121,468	2,682,370	102,449
Roosevelt	221,331	20,233	219,735	18,439	185,086	8,112

County	2016		2017	
	Volume (bbls)	Value (\$000s)	Volume (bbls)	Value (\$000s)
Eddy	63,918,579	\$2,513,513	65,494,900	\$3,117,741
Lea	74,458,299	2,950,701	92,712,750	4,432,448
San Juan	3,924,905	131,989	4,728,892	199,529
Sandoval	1,382,398	47,116	1,162,937	49,143
Chaves	1,112,777	\$42,142	1,035,036	48,553
Rio Arriba	2,083,530	69,769	1,881,766	76,180
Roosevelt	198,211	7,546	241,470	11,245

#### NATURAL GAS SALES - COUNTY COMPARISON

County	2013		2014		2015	
	Volume (MCF)	Value (\$000s)	Volume (MCF)	Value (\$000s)	Volume (MCF)	Value (\$000s)
San Juan	390,823,915	\$1,732,539	378,569,589	\$1,918,795	365,471,873	\$1,024,309
Eddy	257,345,438	1,239,623	316,917,359	1,509,639	296,623,329	809,379
Rio Arriba	291,544,849	1,358,207	272,981,989	1,446,967	264,590,563	771,451
Lea	174,058,502	876,223	186,551,214	1,000,724	208,030,130	557,806
Colfax	25,235,846	91,706	23,618,631	102,457	22,308,907	56,589
Chaves	16,565,728	66,120	14,633,719	68,679	12,497,384	31,424
Sandoval	2,508,185	11,566	4,814,635	28,032	9,696,987	33,412
Roosevelt	1,766,165	8,065	2,540,556	12,289	2,206,607	5,158

County	2016		2017	
	Volume (MCF)	Value (\$000s)	Volume (MCF)	Value (\$000s)
San Juan	342,850,067	\$899,432	330,759,782	1,086,211.83
Eddy	306,856,716	848,607	380,213,985	1,234,508.79
Rio Arriba	251,853,022	689,446	234,969,151	800,393.59
Lea	242,824,833	647,767	316,004,533	1,076,202.83
Colfax	20,910,821	48,153	19,373,957	51,776.67
Chaves	10,420,222	23,002	10,490,216	29,452.71
Sandoval	7,930,136	27,226	10,300,569	41,726.26
Roosevelt	1,549,150	3,105	1,655,243	4,356.97

Source: New Mexico Taxation and Revenue Department. Oil & Gas Accounting Division

<sup>1</sup> Source: NM ONGARD.



Chaves County Oil & Gas History				
Year	Crude Oil		Natural Gas	
	Volume (bbls)	Value (\$000s)	Volume (MCF)	Value (\$000s)
2017	1,035,036	\$48,553	\$10,490,216	\$29,452
2016	1,112,777	42,142	10,420,222	23,002
2015	1,344,064	59,112	12,497,384	31,424
2014	1,517,894	119,918	14,633,719	68,679
2013	1,540,044	140,675	16,565,728	66,120
2012	1,841,355	161,414	18,726,148	63,911
2011	1,366,920	123,020	14,527,031	69,933
2010	787,004	56,266	13,065,148	63,432
2009	1,041,634	56,332	28,399,358	105,137
2008	651,045	57,749	30,756,247	248,231

	Natural Gas Volume				
	2015	2016	%Change	2017	%Change
Jan	1,136,888	886,731	-22.00%	823,063	-7.18%
Feb	995,530	918,761	-7.71%	786,587	-14.39%
Mar	1,087,638	857,927	-21.12%	858,658	0.09%
Apr	1,053,348	867,630	-17.63%	825,330	-4.88%
May	1,087,758	860,240	-20.92%	854,310	-0.69%
Jun	1,059,837	764,418	-27.87%	797,140	4.28%
Jul	1,026,285	898,071	-12.49%	907,326	1.03%
Aug	1,036,799	898,352	-13.35%	916,698	2.04%
Sep	1,031,086	862,085	-16.39%	925,235	7.33%
Oct	1,076,241	872,745	-18.91%	930,660	6.64%
Nov	1,019,047	825,146	-19.03%	933,695	13.16%
Dec	886,927	908,116	2.39%	931,514	2.58%
<b>Total</b>	<b>12,497,384</b>	<b>10,420,222</b>		<b>10,490,216</b>	

	Natural Gas Value				
	2015	2016	%Change	2017	%Change
Jan	\$3,298,511	\$1,647,037	-50.07%	\$2,766,037	67.94%
Feb	2,692,333	1,523,939	-43.40%	2,342,574	53.72%
Mar	2,914,044	1,273,190	-56.31%	2,163,157	69.90%
Apr	2,583,830	1,368,674	-47.03%	2,271,940	66.00%
May	2,751,326	1,511,578	-45.06%	2,379,228	57.40%
Jun	2,732,066	1,695,552	-37.94%	2,167,375	27.83%
Jul	2,645,266	2,146,861	-18.84%	2,413,542	12.42%
Aug	2,728,040	2,322,065	-14.88%	2,515,954	8.35%
Sep	2,641,450	2,402,145	-9.06%	2,584,561	7.59%
Oct	2,546,866	2,262,437	-11.17%	2,600,100	14.92%
Nov	2,139,681	1,926,279	-9.97%	2,675,189	38.88%
Dec	1,750,366	2,921,996	66.94%	2,573,052	-11.94%
<b>Total</b>	<b>\$ 31,423,780</b>	<b>\$ 23,001,753</b>		<b>\$29,452,710</b>	

	Oil Volume				
	2015	2016	% Change	2017	% Change
Jan	118,445	101,219	-14.54%	85,055	-15.97%
Feb	103,732	100,268	-3.34%	88,324	-11.91%
Mar	112,248	105,994	-5.57%	88,437	-16.56%
Apr	117,821	94,772	-19.56%	82,478	-12.97%
May	118,453	96,166	-18.82%	92,921	-3.37%
Jun	131,045	84,612	-35.43%	89,526	5.81%
Jul	105,260	83,489	-20.68%	81,897	-1.91%
Aug	112,251	93,161	-17.01%	90,422	-2.94%
Sep	114,818	90,463	-21.21%	85,624	-5.35%
Oct	106,934	81,638	-23.66%	85,215	4.38%
Nov	109,441	97,204	-11.18%	74,865	-22.98%
Dec	93,616	83,791	-10.50%	90,272	7.73%
<b>Total</b>	<b>1,344,064</b>	<b>1,112,777</b>		<b>1,035,036</b>	

	Oil Value				
	2015	2016	% Change	2017	% Change
Jan	\$4,922,144	\$2,676,614	-45.62%	\$ 4,125,364	54.13%
Feb	4,477,991	2,590,335	-42.15%	4,375,965	68.93%
Mar	4,609,749	3,407,570	-26.08%	4,043,125	18.65%
Apr	5,628,036	3,306,786	-41.24%	3,822,907	15.61%
May	6,325,928	3,962,818	-37.36%	4,064,510	2.57%
Jun	7,126,151	3,729,673	-47.66%	3,685,129	-1.19%
Jul	4,963,331	3,368,275	-32.14%	3,485,197	3.47%
Aug	4,449,266	3,759,543	-15.50%	3,969,017	5.57%
Sep	4,891,414	3,649,756	-25.38%	3,944,256	8.07%
Oct	4,638,246	3,662,321	-21.04%	4,011,179	9.53%
Nov	4,159,858	4,016,333	-3.45%	4,011,717	-0.11%
Dec	2,919,960	4,012,245	37.41%	5,014,622	24.98%
	<b>\$ 59,112,072</b>	<b>\$ 42,142,269</b>		<b>\$48,552,987</b>	

### Tourism

Roswell and the surrounding area boast many tourist attractions. The Bottomless Lake State Park, southeast of the city, is the State's oldest park and is used for boating, fishing, swimming, hiking and camping. The Bitter Lakes National Wildlife Refuge is a popular bird watching location, especially during the migratory season when the area is populated by large numbers of snow geese.

Nearby attractions include Carlsbad Caverns, White Sands National Monument and the Ski Apache ski area.

The region of Roswell played a significant role in the development of the West and today there are several historic towns which preserve these memories and the legend of Billy the Kid, whose body is buried nearby.

## Gross Receipts Tax

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

	City of Roswell		Chaves County		State of New Mexico	
FYE 6-30	Retail Trade	Total Reported	Retail Trade	Total Reported	Retail Trade	Total Reported
2017	\$217,277,528	\$212,387,782	\$220,007,081	\$244,077,063	\$2,289,986,779	\$4,085,816,151
2016	163,551,291	172,049,451	164,769,214	172,957,968	994,089,780	1,739,984,549
2015	93,729,509	160,335,811	86,722,319	138,490,802	3,750,055,633	5,157,902,541
2014	85,058,379	142,074,709	99,056,953	156,150,673	2,267,701,913	4,343,399,218

Source: New Mexico Taxation and Revenue Department.

## Population and Age Distribution

The following chart sets forth historical population data for the City of Roswell, Chaves County and the State of New Mexico.

Census Year	City of Roswell	Chaves County	State of New Mexico
1970	33,908	43,335	1,017,055
1980	39,676	51,103	1,303,143
1990	44,654	57,849	1,515,069
2000	45,293	61,453	1,826,280
2010	48,366	65,645	2,065,826
2017*	47,755	64,866	2,081,015
2018 <sup>(1)</sup>	46,676	65,056	2,081,015
2023 <sup>(2)</sup>	47,439	64,837	2,087,058
Projected Growth 2018-2023 <sup>(2)</sup>	1.63%	-0.34%	1.12%

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

1) Estimates. Source: Spotlight, 2018.

2) Projected. Source: Spotlight, 2018.

The following table sets forth the 2018 comparative age distribution profile for the City of Roswell, Chaves County, the State and the United States.

<b>Age Group</b>	<b>City of Roswell</b>	<b>Chaves County</b>	<b>New Mexico</b>	<b>United States</b>
0 - 17	26.99%	26.52%	23.90%	22.80%
18 - 24	10.83%	10.69%	9.80%	9.80%
25 - 34	12.67%	12.64%	13.30%	13.40%
35 - 44	11.56%	11.43%	11.87%	12.60%
45 - 54	10.77%	11.16%	11.90%	13.10%
55 and Older	27.56%	29.23%	29.23%	28.30%

Source: Spotlight, April 2018.

### Income

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

<b>Effective Buying Income Group</b>	<b>City of Roswell</b>	<b>Chaves County</b>	<b>New Mexico</b>	<b>United States</b>
Under \$25,000	31.19%	30.33%	27.27%	20.37%
\$25,000-\$34,999	13.96%	13.90%	10.65%	9.21%
\$35,000-\$49,999	11.11%	11.77%	13.71%	12.87%
\$50,000-\$74,999	16.86%	16.79%	16.84%	17.09%
\$75,000 and over	26.88%	27.21%	31.53%	40.46%
2013 Est. Median Household Income	\$35,981	\$34,025	\$43,273	\$49,297
2014 Est. Median Household Income	\$39,035	\$40,474	\$44,292	\$51,579
2015 Est. Median Household Income	\$45,598	\$46,521	\$45,633	\$53,706
2016 Est. Median Household Income	\$46,952	\$48,424	\$45,445	\$55,551
2017 Est. Median Household Income	\$44,626	\$45,602	\$46,783	\$56,672
2018 Est. Median Household Income	\$40,509	\$41,411	\$48,044	\$60,133

Source: Spotlight, April 2018.

## Labor Force

The following table provides a ten year history of employment in the County, the State and the United States.

Year <sup>(1)</sup>	Chaves County		State of New Mexico		United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2018 <sup>(2)</sup>	26,954	5.20%	933,947	4.40%	3.70%
2017	27,924	6.30%	929,567	6.20%	4.40%
2016	27,796	6.80%	927,355	6.70%	4.90%
2015	27,248	6.40%	919,889	6.60%	5.30%
2014	26,868	6.20%	918,206	6.50%	6.20%
2013	26,658	6.30%	922,960	6.90%	7.40%
2012	26,977	6.50%	928,050	7.10%	8.10%
2011	27,553	6.80%	929,862	7.60%	8.90%
2010	28,058	7.50%	936,088	8.10%	9.60%
2009	27,308	7.00%	940,352	7.50%	9.30%

(1) Numbers are annual averages.

(2) Data for the month of June 2018. Numbers are Preliminary.

Source: U.S. Bureau of Labor Statistics, June 2018.

## Major Employers

The following table shows major employers in Roswell School District area.

Major Employers Roswell NM	
Employer	Type of Business
Roswell Independent School District	1030
Leprino Foods	600
Eastern New Mexico Medical Center	552
City of Roswell	548
New Mexico Military Institute	323
Community Homecare	287
Chaves County	267
Eastern New Mexico University	252
Albertsons	248
Lovelace Hospital	240
Tobosa Developmental Svc	227
Sam's Club // Walmart	200
Krumland Auto Group	200
Pioneer Bank	187
Christmas by Krebs	175
Dean Baldwin Painting LP	150

Source: Roswell, Chaves County Economic Development Corporation, August 2018.

### Covered Wage & Salary Employment

The North American Industry Classification System (NAICS) has replaced the U.S. Standard Industrial Classification (SIC) system. NAICS was developed jointly by the U.S., Canada, and Mexico to provide new comparability in statistics about business activity across North America.

<b>Chaves County</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017<sup>(1)</sup></b>
Total Private	16,719	17,017	17,618	17,522	16,930
Accommodation and Food Services	2,590	2,606	2,680	2,800	2,701
Administrative and Waste Services	560	607	672	688	605
Agriculture, Forestry, Fishing & Hunting	1,188	1,208	1,376	1,399	1,325
Arts, Entertainment, and Recreation	150	141	141	137	136
Construction	855	844	863	830	792
Educational Services	59	56	57	53	47
Finance and Insurance	623	607	566	561	567
Health Care and Social Assistance	3,196	3,248	3,382	3,494	3,483
Information	256	248	235	233	234
Management of Companies and Enterprises	46	41	41	37	37
Manufacturing	936	929	1,012	844	847
Mining	563	602	547	416	386
Other Services, Ex. Public Admin	527	514	572	516	526
Professional and Technical Services	587	586	595	561	564
Real Estate and Rental and Leasing	177	179	178	187	154
Retail Trade	2,902	3,007	3,057	3,045	2,940
Transportation and Warehousing	595	691	709	774	720
Utilities	92	70	62	60	56
Wholesale Trade	817	832	872	888	810
Government	4,046	4,010	4,010	4,149	4,229
<b>Total</b>	<b>20,765</b>	<b>21,027</b>	<b>21,628</b>	<b>21,671</b>	<b>21,159</b>

(1) Data as of Fourth Quarter of 2017.

Note: Figures shown here are annual averages of quarterly data.

Source: New Mexico Department of Workforce Solutions, Quarterly Census of Employment and Wages program.

## APPENDIX B

### JUNE 30, 2017 AUDITED FINANCIAL STATEMENTS



CPAs + CONSULTANTS, LLP  
ACHIEVING RESULTS

State of  
New Mexico  
Roswell  
Independent  
School District  
No.4

## Annual Financial Report For the Year Ended June 30, 2017





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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Annual Financial Report  
June 30, 2017  
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**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Annual Financial Report  
June 30, 2017  
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**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Official Roster  
June 30, 2017

<b><u>Name</u></b>	<b><u>Board of Education</u></b>	<b><u>Title</u></b>
Mona Kirk		Board President
Ruben Sanchez		Board Vice President
Alan Gedde		Secretary
James Edwards		Board Member
Dr. Kathleen Pittman		Board Member

<b><u>Administrative Officials</u></b>		
Susan Sanchez		Superintendent
Chad Cole		Asst. Superintendent for Finance and Operations
Mike Notz		Director of Business Services

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## **FINANCIAL SECTION**





## INDEPENDENT AUDITORS' REPORT

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget  
The Board of Education  
Roswell Independent School District No. 4  
Roswell, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue fund of Roswell Independent School District No. 4 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Roswell Independent School District No. 4, as of June 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparisons for the General Fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13 through 21 and Schedules I and II and the Notes to Required Supplementary Information on pages 78 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

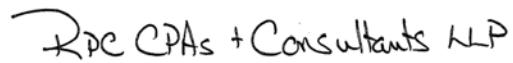
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Supporting Schedules III through VI required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI 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 combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017, 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.



RPC CPAs + Consultants, LLP  
Albuquerque, NM  
November 10, 2017

# **ROSWELL INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 UNAUDITED**

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### **Introduction**

The discussion and analysis of the Roswell Independent School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2017 are as follows:

- ❖ Total assets of governmental wide activities decreased \$839 thousand or 0.4% from 2016, primarily due to the impact of resulting decreases to cash and cash equivalents from an unfavorable revenue to expense ratio.
- ❖ Total liabilities of governmental fund activities increased approximately \$8 million or 4.7% primarily due to an increase in pension liability that is required for reporting due to GASB 68.
- ❖ The District had \$107.7 million in expenses related to governmental activities: \$30.4 million of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily State Equalization Guarantee, property taxes, investments and miscellaneous income) of \$77 million were insufficient to provide for these programs, based on two separate decreases made to the District's distribution of its State Direct--State Equalization Guarantee, thereby necessitating the expenditure of existing cash balance within the General Fund.

### **Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Roswell Independent School District as a financial whole, or as an entire operating entity.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in a single column. For Roswell Independent School District, the General Fund is the most significant fund.

# **ROSWELL INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 UNAUDITED**

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### **Reporting the School District as a Whole**

#### **Statement of Net Position and Statement of Activities**

While this report contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the School District's net position and changes in the net position. This change in net position is important because it identifies whether the financial position of the School District has improved or diminished for the School District as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports only governmental activities:

**Governmental Activities** - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

### **Reporting the School District's Most Significant Funds**

#### **Fund Financial Statements**

Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Title I Special Revenue Fund, Bond Building Capital Projects Fund, Public Schools Capital Projects Fund and the Debt Service Fund.

#### **Governmental Funds**

Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal yearend for spending in future periods. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.

# **ROSWELL INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 UNAUDITED**

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### **Governmental Activities**

The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The Statement of Activities (shown as Exhibit A-2), for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by revenues from state entitlements.

The dependence upon revenues from the State of New Mexico for governmental activities is apparent. Approximately 70.7 percent of expenses are supported through general state revenues.

### **The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$107.2 million and expenditures of \$109 million. The net change in fund balance for the year was a decrease of approximately \$1.9 million. This overall decrease to fund balance is attributed to the resulting impact of two separate budget decreases made to the District's total distribution of State Equalization Guarantee (SEG) funds during the third and fourth quarters of 2017. SEG budget decreases were based on legislation from the 2017 Special Legislative Session of New Mexico (Senate Bill 114) and the NMPED's statewide reduction to its SEG formula's final yearend unit value. Both decreases to this revenue source can be attributed to the failure of actual State revenue receipts to meet their projected revenue appropriation amounts, which serves as the basis for the bulk of initially budgeted General Revenue within the Governmental Activities of both the District and its Component Unit Charter School.

### **General Fund Budgeting Highlights**

The School District's budget is prepared according to New Mexico law and State Department of Education Regulations and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal 2017, the School District amended its budget as needed according to and in compliance with state regulations.

# ROSWELL INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 UNAUDITED

The following table examines the summary budget performance of the major and combined non-major funds for the fiscal year ending June 30, 2017. Detailed budget performance is examined through the expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual for each fund (in thousands of dollars).

	Final Budget	Actual	Variance
General Fund	\$ 80,609	\$ 74,386	\$ 6,223
Title I Special Revenue Fund	3,457	3,066	391
Bond Building Capital Projects Fund	8,205	2,335	5,870
Public Schools Capital Outlay Fund	8,000	4,377	3,623
Debt Service Fund	11,535	5,739	5,796

The difference between budget and actual expenditures was due to the timing of construction projects funded with bond funds and the Public School Finance Authority matching funds; and planned budgetary savings throughout the budget.

For the General Fund, final budgeted expenditures and other financing uses are greater than actual expenditures by \$6.2 million.

Actual revenues to the general fund were \$72.2 million and revenues from state sources constitute 98.1% of this total. Actual expenditures surpassed revenues by approximately \$2.2 million.

The primary decrease to General Fund revenue, over that of the prior year, was due to an overall decrease in State Direct—State Equalization Guarantee Distribution payments of approximately \$2.5 million within the current year. These District revenues were decreased based on the decrease of State General fund revenues, as adjusted for actual versus projected revenue receipts made available via the State's annual appropriations act legislation for public school operations throughout the State of New Mexico.

Total revenues receipted for Federal Title I funding sources were \$3.4 million, while these programs' total expenditures were \$3.1 million. The differences between the programs' budgeted and actual revenues and expenditures are the result of the timing of the final awarded budget increase to the fund of \$243 thousand. This budget increase was made available and authorized by the NMPED during the fourth quarter of the current fiscal year, on May 2, 2017. By contrast, the District's last day of school was May 26, 2017.

All of the cash balance in the Bond Building fund was budgeted, however, not all of the anticipated projects were completed as of June 30, 2017. The Parkview Early Literacy Center construction project is scheduled for substantial completion during August of 2017. Twenty-eight percent of the total cost to complete the district's school facilities construction projects (Design & Construction) is funded by local voter approved General Obligation Building Bond funds, while the remaining 72% of the total cost for these projects is matched and competitively awarded to the benefit of the District by the State's Public Schools Capital Outlay Council (PSCOC), as administered and procured by the Public Schools Facilities Authority (PSFA). The matching expenditures of the PSFA are contributed on behalf of the total cost of the District's participating and awarded PSCOC projects, and the actual matching expenditures of the PSFA are reported to the school district, at yearend, in order to book the associated cost value of these assets to the district's inventory.

The Debt Service fund also budgets its entire cash balance, although, much of its balance is restricted for subsequent year's bond payments, and the rapid and efficient amortization of debt.

# **ROSWELL INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 UNAUDITED**

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### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of fiscal 2017, the District had \$224 million invested in capitalized assets with associated accumulated depreciation and amortization of \$76.2 million (see Note 6). The value of District owned land and buildings was adjusted to correspond to historical cost or to appraise value (if historical cost was not available).

A district wide capital improvement plan addressing Health and Safety, Facility Renewal, ADA Requirements, Code Compliance and Emergency Issues was embarked on in 2003 with the passage of a fifteen million dollar general obligation bond. This bond was the first in a planned cycle of new bond elections every four years to accomplish the plan goals with no increase in property taxes over the 2003 base year. The District was successful in passing the next planned bond in February of 2007 in the amount of \$16 million dollars. The district sold \$9.9 million of these bonds in 2007 with the majority to be used as matching funds to the state's Public Schools Capital Outlay Council (PSCOC) awards for renovation of Sierra and Berrendo Middle Schools and to address emergency heating and cooling concerns at several schools. The remaining \$6.1 million in bonds were sold in December, 2008. The District's bond rating was upgraded to an underlying A1 by Moody's prior to the December bond sales. The rating was further enhanced to Aa2 based on the 2007 New Mexico School District Enhancement Program. The District was able to move the next planned bond election up by two years because of growth in the tax base in Chaves County, without increasing taxes. The Series 2010 Bonds for \$8 million represents that last series of the \$23 million authorized and approved by voters on September 1, 2009. The District posed two questions. One was a continuation of the plan begun in 2003 for \$8 million and did not raise taxes. The second question did raise taxes slightly and was to specifically build new science labs at the high schools and upgrade the heating and cooling system at Roswell High School for \$7 million. Both questions received voter support. \$15 million in new bonds were sold in August, 2009, with another \$8 million sold in September of 2010. On August 30, 2011, voters approved the sale of an additional \$16 million dollars of new bonds for the continuation of construction and remodeling with \$9.5 million sold on October 11, 2011. The funds allowed for the completed construction of the new Missouri Ave. Elementary school, as well as the complete renovation of East Grand Plains, Monterrey and Pecos Elementary schools. In January of 2012 the District adopted a resolution authorizing the issuance of \$3,955,000 General Obligation Refunding Bonds, sold February 15, 2012, to provide funds for the purposes of refunding the District's Series 2003 GO Bonds' optional redemption aggregate outstanding amount of \$3,955,000, in full, thereby taking advantage of favorable market conditions for the purpose of reducing the coupon rate of interest by refunding, refinancing, discharging and paying the Refunded Bonds on their optional redemption date, resulting in an overall savings and reduction of District debt service payments. Additional bonds of \$6.5 million were sold on July 16, 2013, in order to continue to leverage state PSCOC approved project funding awards for the construction of a new El Capitan Elementary School facility, as well as the complete renovation of Berrendo, Military Heights and Valley View Elementary schools, all of which were completed as of June 30, 2016.

On February 3, 2015, the voters of Chaves County passed and authorized an additional \$16 million dollars of new General Obligation Building Bonds, in order to continue local improvements, renovations and construction to the district's aging school facilities, while continuing to leverage historically favorable market conditions, the district's Aa2 Underlying and NM Aa1 Enhanced bond rating and the State's Public Schools Facility Authority's (PSFA) standards based program, which awards additional State matching Capital Outlay funds (recently increased to match at 73% of the



# **ROSWELL INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 UNAUDITED**

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RISD's approved construction project cost to adequacy standard), based on competitive project applications and its statewide school facility condition rankings. In March of 2015, the school district adopted a resolution authorizing the issuance of an additional \$8 million from its most recently authorized voter General Obligation Bonds (Series 2015A Bonds) for PSFA project participation on the new construction of its Parkview Early Literacy Center, and, in anticipation of proposed future renovations and construction to its Del Norte Elementary, Mesa Middle, and Nancy Lopez Elementary schools facilities, each ranked, at the time, within the top sixteen listed schools in need of facility improvements, according to the PSFA's published weighted New Mexico Condition Index (NMCI) ranking. These three projects were presented to the voters of Chaves County just prior to the passage of the voter approved question concerning the 2015 General Obligation Bond authorization for the continuation of facility improvement and renovation projects throughout the District. An additional, \$5.705 million of General Obligation Refunding Bonds (Series 2015B Bonds) were also adopted for issuance, sale and delivery, in order to provide funds for the purposes of refunding the district's 2007 and 2009 Series GO Bonds' optional redemptions, thereby reducing the coupon rate of interest by refunding, refinancing, discharging and paying through escrow the refunded bonds on their optional redemption dates, resulting in an overall savings and reduction of district debt service payments. As a result of the increase to the 2016 Assessed Value of property within Chaves County, and the timing and structure of planned and authorized bond issuance, the district's projected County Debt Service levy rate requirement reflected a slight decrease, for the succeeding fiscal year. In 2017, there was also noticeable decline in the number of ongoing district construction projects as the PSFA's budgets suffered from the effects of sharp declines to the price and production of area oil and natural gas related revenue sources. The school district did however, apply for and receive PSCOC/PSFA funding awards for contingent engineering and geo-code analysis, as well as for the design of a new Del Norte Elementary School facility. The District plans to complete the remaining \$8 million of its 2015 voter authorized General Obligation Bonds by issuing \$4 million in 2018, and another \$4 million in 2019, as PSFA revenues and matching construction resources continue to show signs of improvement for the benefit of planned District construction project resources.

### **Debt**

At June 30, 2017, the District had outstanding bonds payable of \$41 million and was bonded within practical capacity to 68% of the legal limit of \$62.1 million (i.e., not greater than the constitutional debt limitation of 6% of the Assessed Value of property located within Chaves County).

### **Pension Liability**

In 2012, and in an effort to improve financial reporting, decision-useful information, assessments of accountability, and additional transparency, the Governmental Accounting Standards Board (GASB) set new standards for the accounting, recording and the financial reporting of state and local government pension plans, by issuing GASB statements No. 67 & 68.

Effective for financial statements for fiscal years beginning after June 15, 2013, or in this case, June 30, 2015 (i.e., the measurement date), the resulting changes made by the combined issued GASB statements to New Mexico's school districts require the presentation and note disclosure of previously unrepresented information, schedules and actuarial estimates of the State of New Mexico's Education Retirement Board (NMERB) measured employer pension liability, pertaining to defined employee benefit pension plan information (e.g., Deferred outflows of resources, Deferred inflows of resources and Fiduciary net position), within the local unit's (i.e., the school district's) statements of fiduciary net position and statement of changes in fiduciary net position of its audited annual financial statements. Education Retirement Association (ERA) employers (i.e., NM School Districts, and their Component Unit Charter schools) were required to implement the new pension reporting within their audited

# **ROSWELL INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 UNAUDITED**

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financial statements for fiscal year 2016, using the NMERB's provided schedule of employer allocation and pension amounts, by district, based on the NMERB administered cost sharing multi-employer plan, which recognizes the employer's proportionate share of associated cost and liability from shared benefit costs, assets and obligations of the 213 different NM educational employers affected by these changes.

The plan's Net Pension Liability (NPL) presents the Total Pension Liability (TPL), representing the gross actuarial present value of projected benefit payments attributed to past employee service, less: NMERB's Fiduciary Net Position, while the Fiduciary Net Position states the fair market value of pension plan assets, minus liabilities. Deferred outflows of resources state the assets associated with revenues that are not yet available, and Deferred inflows reflect the resources from non-exchange transactions, received prior to the timing required for eligibility criterion, and are amortized over a five year period. Pension expense amounts are recognized from changes in the current service cost, interest on beginning TPL, recognition of flows, administrative expenses, member contributions, projected earnings on investments, and the impact of changes made to the benefit terms of the plan.

The school district's total ERB pension liability was rolled forward based on the information provided from the effective plan year's measurement date (June 30, 2015). For the year ended June 30, 2017, the combined presented district and its component unit Net Pension Liability is \$122.8 million. Combined Deferred outflows relating to pensions are \$17.6 million, and the combined surplus Total Net Position, after assets, liabilities, deferred outflows and deferred inflows (\$1.6 million related to combined pensions), is \$33.5 million, thanks in large part to the longer term community support and facility improvement strategy resulting in increased district asset values for associated school construction and renovated facility improvements made throughout the school district, over more than the past ten years' time.

As cited by the NMERB's, at its August of 2015 presentation of "GASB 68 Implementation In Fiscal Year 2015", and according to the March 24, 2015 statements of the Standard & Poors investment rating agency:

"While there will be a range of new information reported under the GASB 67/68 and year-over-year comparisons may be challenging, we don't expect significant credit differentiation based solely on the new reporting."

Also, and as cited from Moody's Investors Service, Global Credit Research, New York, on June 30, 2014:

"Moody's will continue to adjust reported liabilities in their entirety using a high-grade corporate bond index tied to the actuarial valuation date."

"Important changes in GASB 67/68 that will not change Moody's pension adjustments include the disclosure of local governments' shares of a multi-employee cost-sharing plans, and the appearance of net pension liabilities on local government balance sheets."

# **ROSWELL INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 UNAUDITED**

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### **Economic Factors and Next Year's Budget**

The Roswell Independent School District is located in Chaves County. Chaves County continues to build upon and maintain a balanced economy, as observed by the increases to the Assessed Value of real property located within Chaves County during 2016 and 2017. Unemployment in the area has increased slightly over the past year, but remains relatively stable. Existing residential and commercial real estate continues to turnover, and new and diverse retail, aviation and health care services businesses continue to locate and expand within Roswell and the surrounding Chaves County area.

As Chaves County's population has continued to increase, the Roswell Independent School District's enrollment has continued to increase as well. Over the past ten years, the district's has experienced a ten percent increase to its student enrollment population, with an average of about one percent enrollment growth per year, over the course of that same ten year period. The District anticipates a continued longer term trend of sustained student enrollment growth over the next several years' time. The local economy's primary drivers continue to be affordable housing, excellent climate, intersecting four lane highways, world-class airport runway facilities, with current direct flights to and from Dallas, TX, and Phoenix, AZ, and an unsaturated secondary retail market centrally located within the Southeast corner of the state, all of which continues to attract retirees, tourists and new businesses.

The Roswell Independent School District receives approximately 97% of its annual operating fund revenue from State Equalization Guarantee (SEG) formula funding. The SEG formula and State declared unit values are applied to the School District's Operational funding source. The objectives of the formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in an objective manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The basis for the formula is in the number of students enrolled. Weighting factors are assigned to students that receive special services, i.e., special education and bilingual education services as well as other factors based on the training and experience of the teaching staff and the district's at-risk population.

The Roswell Independent School District expended \$1.9 million of its unrestricted fund balance during the 2016-2017 fiscal year budget period. This amount was used to absorb state level decreases to the District's portion of its annual State Equalization Guarantee (SEG) formula revenue, in order to provide the necessary resources for its correspondingly structured recurring costs.

### **Contacting the School District's Financial Management**

The financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

Chad A. Cole  
Assistant Superintendent for Finance and Operations  
Roswell Independent School District  
300 N. Kentucky  
Roswell, NM 88201

[ccole@risd.k12.nm.us](mailto:ccole@risd.k12.nm.us)  
(575)-627-2537

# ROSWELL INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017 UNAUDITED

### Condensed Statement of Net Position (in thousands of dollars)

	June 30, 2017	June 30, 2016 (as reported)
	Governmental Activities	Governmental Activities
Current and other assets	\$ 35,240	\$ 43,162
Net capital assets	153,719	146,327
Total assets	188,960	189,489
Deferred Outflows related to pensions	17,465	11,075
Long-term debt outstanding	37,513	46,518
Pension liability	121,891	109,733
Other liabilities	12,014	6,994
Total liabilities	171,418	163,245
Total deferred inflows	1,549	3,022
Net position	\$ 33,458	\$ 34,297
Net invested in capital assets	\$ 111,506	\$ 108,918
Restricted	15,718	6,040
Unrestricted	(93,766)	(80,661)
Total net position	\$ 33,458	\$ 34,297

### Changes in Net Position from Operating Results (in thousands of dollars)

Revenues:		
Program revenues		
Charges for services	\$ 645	\$ 677
Operating grants	23,165	21,636
Capital grants	6,572	3,623
General revenues		
Property taxes/Oil & Gas taxes	8,401	8,360
State aid	67,548	71,928
Other	540	381
Total revenue	106,871	106,605
Expenses:		
Instruction	60,140	56,602
Support services	24,652	32,730
Transportation	2,620	2,853
Food services	7,608	6,724
Debt Service	1,277	1,256
Facilities Acquisition & Construction	11,413	1,962
Total expenses	107,710	102,127
Change in net position	\$ (839)	\$ 4,478

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Statement of Net Position  
June 30, 2017

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Charter School</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 29,076,508	\$ 360,652
Investments	2,625	-
Receivables:		
Property taxes	504,825	764
Due from other governments	4,780,761	-
Other	134,671	11
Inventory	382,578	-
Prepaid expense	358,439	-
	<hr/>	<hr/>
Total current assets	35,240,407	361,427
	<hr/>	<hr/>
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	6,050,937	-
Bond discounts, net of accumulated amortization of \$32,555	115,376	-
Capital assets	223,772,128	184,212
Less: accumulated depreciation	(76,218,956)	(123,061)
	<hr/>	<hr/>
Total noncurrent assets	153,719,485	61,151
	<hr/>	<hr/>
<i>Total assets</i>	188,959,892	422,578
	<hr/>	<hr/>
<b>Deferred outflows of resources</b>		
Net difference between projected and actual investment earnings		
on pension plan investments	7,275,880	52,536
Changes in proportion	270,485	37,478
Changes of assumption	2,481,213	17,916
Difference between expected and actual experience	528,809	3,818
Employer contributions subsequent to the measurement date	6,908,542	55,306
	<hr/>	<hr/>
<i>Total deferred outflows of resources</i>	17,464,929	167,054
	<hr/>	<hr/>
<i>Total assets and deferred outflows of resources</i>	\$ 206,424,821	\$ 589,632
	<hr/>	<hr/>

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

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Charter School</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 850,087	\$ 514
Accrued payroll	5,418,869	41,719
Unearned revenue	-	2,598
Accrued interest	592,588	-
Accrued compensated absences	455,860	-
Current portion of bonds payable	4,640,000	-
Total current liabilities	11,957,404	44,831
Noncurrent liabilities		
Accrued compensated absences	56,228	-
Bonds payable	36,310,000	-
Bond premium, net of accumulated amortization of \$611,644	1,203,324	-
Net pension liability	121,891,033	880,124
Total noncurrent liabilities	159,460,585	880,124
<i>Total liabilities</i>	171,417,989	924,955
<b>Deferred inflows of resources</b>		
Net gain on debt refunding	211,349	-
Changes in proportion	177,944	6,587
Difference between expected and actual experience	1,159,337	8,371
<i>Total deferred inflows of resources</i>	1,548,630	14,958
<b>Net position</b>		
Net investment in capital assets	111,506,460	61,151
Restricted for:		
Debt service	5,608,950	-
Capital projects	2,628,975	32,128
Special revenue	7,479,588	1,011
Unrestricted	(93,765,771)	(444,571)
<i>Total net position</i>	33,458,202	(350,281)
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$ 206,424,821	\$ 589,632

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



**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
Instruction	\$ 60,140,111	\$ 198,650	\$ 9,042,381	\$ 4,108,086
Support services - students	11,759,743	38,844	1,768,139	803,291
Support services - instruction	1,605,292	5,302	241,364	109,655
Support services - general administration	2,084,993	6,887	313,490	142,423
Support services - school administration	5,766,390	19,047	867,007	393,894
Central services	3,425,671	11,315	515,068	234,003
Operation and maintenance of plant	11,413,406	37,700	1,716,066	779,634
Student transportation	2,620,070	-	2,272,787	-
Other support services	10,419	34	1,567	712
Food services operations	7,607,922	326,920	6,427,477	-
Interest and other charges	1,275,513	-	-	-
Total governmental activities	107,709,530	644,699	23,165,346	6,571,698
Total primary government	\$ 107,709,530	\$ 644,699	\$ 23,165,346	\$ 6,571,698
Component Unit:				
Sidney Gutierrez Charter School	\$ 802,491	\$ -	\$ 46,136	\$ -

**General Revenues:**

Taxes:

Property taxes, levied for operating programs

Property taxes, levied for debt services

Property taxes, levied for capital projects

Oil and gas taxes

State equalization guarantee

Investment income

Miscellaneous income

Total general revenues

Change in net position

Net position - beginning

*Net position - ending*

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

Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	Component Unit
\$ (46,790,994)	\$ -
(9,149,469)	-
(1,248,971)	-
(1,622,193)	-
(4,486,442)	-
(2,665,285)	-
(8,880,006)	-
(347,283)	-
(8,106)	-
(853,525)	-
(1,275,513)	-
(77,327,787)	-
(77,327,787)	-
	(756,355)
376,654	-
5,826,323	-
2,104,179	12,819
93,694	152
67,547,830	611,219
111,698	2,694
428,401	-
76,488,779	626,884
(839,008)	(129,471)
34,297,210	(220,810)
\$ 33,458,202	\$ (350,281)

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

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Balance Sheet  
Governmental Funds  
June 30, 2017

	<b>General Fund 11000, 13000, 14000</b>	<b>Title I Special Revenue Fund 24101</b>	<b>Bond Building Capital Projects Fund 31100</b>
<i>Assets</i>			
Cash and cash equivalents	\$ 5,528,079	\$ 1,437,742	\$ 5,991,236
Investments	1,067	-	85
Receivables:			
Property taxes	21,181	-	-
Due from other governments	-	1,106,231	1,210,541
Other	61,159	-	-
Inventory	196,136	-	-
Prepaid expense	108,305	188,306	-
Due from other funds	11,540,225	-	-
<i>Total assets</i>	<u><u>\$ 17,456,152</u></u>	<u><u>\$ 2,732,279</u></u>	<u><u>\$ 7,201,862</u></u>
<i>Liabilities</i>			
Accounts payable	\$ 295,284	\$ 1,560	\$ 226,615
Accrued payroll	4,651,166	194,046	-
Due to other funds	-	2,268,996	-
<i>Total liabilities</i>	<u><u>4,946,450</u></u>	<u><u>2,464,602</u></u>	<u><u>226,615</u></u>
<i>Deferred inflows of resources</i>			
Unavailable revenue- property taxes	16,968	-	-
<i>Total deferred inflows of resources</i>	<u><u>16,968</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<i>Fund balances</i>			
Nonspendable			
Inventory	196,136	-	-
Prepaid expense	108,305	188,306	-
Spendable			
Restricted for:			
Transportation	362	-	-
Instructional materials	300,482	-	-
Food services	-	-	-
Extracurricular activities	-	-	-
Education	-	79,371	-
Capital acquisitions and improvements	-	-	6,975,247
Debt service	-	-	-
Committed for:			
Subsequent year's expenditures	5,322,501	-	-
Unassigned	6,564,948	-	-
<i>Total fund balances</i>	<u><u>12,492,734</u></u>	<u><u>267,677</u></u>	<u><u>6,975,247</u></u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u><u>\$ 17,456,152</u></u>	<u><u>\$ 2,732,279</u></u>	<u><u>\$ 7,201,862</u></u>

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

<b>Public School Capital Outlay Capital Projects Fund 31200</b>	<b>Debt Service Fund 41000</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 6,000,000	\$ 6,050,937	\$ 10,119,451	\$ 35,127,445
-	1,473	-	2,625
-	360,477	123,167	504,825
-	-	2,463,989	4,780,761
-	-	73,512	134,671
-	-	186,442	382,578
-	-	61,828	358,439
-	-	-	11,540,225
<u>\$ 6,000,000</u>	<u>\$ 6,412,887</u>	<u>\$ 13,028,389</u>	<u>\$ 52,831,569</u>
\$ -	\$ -	\$ 326,628	\$ 850,087
-	-	573,657	5,418,869
6,000,000	-	3,271,229	11,540,225
<u>6,000,000</u>	<u>-</u>	<u>4,171,514</u>	<u>17,809,181</u>
-	291,245	99,479	407,692
<u>-</u>	<u>291,245</u>	<u>99,479</u>	<u>407,692</u>
-	-	186,442	382,578
-	-	61,828	358,439
-	-	-	362
-	-	-	300,482
-	-	4,749,261	4,749,261
-	-	925,425	925,425
-	-	1,423,061	1,502,432
-	-	1,676,130	8,651,377
-	6,121,642	-	6,121,642
-	-	-	5,322,501
-	-	(264,751)	6,300,197
<u>-</u>	<u>6,121,642</u>	<u>8,757,396</u>	<u>34,614,696</u>
<u>\$ 6,000,000</u>	<u>\$ 6,412,887</u>	<u>\$ 13,028,389</u>	<u>\$ 52,831,569</u>

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

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**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Governmental Funds  
Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2017

Exhibit B-1  
Page 2 of 2

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

Fund balances - total governmental funds	\$ 34,614,696
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	147,553,172
Other noncurrent assets are not available to pay for current period expenditures and therefore, are deferred in the funds:	
Bond discounts	115,376
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	407,692
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in funds:	
Deferred outflows of resources related to net difference between projected and actual investments earnings on pension plan investments	7,275,880
Deferred outflows of resources related to changes in proportion	270,485
Deferred outflows of resources related to change in assumption	2,481,213
Deferred outflows of resources related to the difference between expected and actual experience	528,809
Deferred outflows of resources related to employer contributions subsequent to the measurement date	6,908,542
Deferred inflows of resources related to changes in proportion	(177,944)
Deferred inflows of resources related to the difference between expected and actual experience	(1,159,337)
Deferred gain on extinguishment of debt	(211,349)
Certain liabilities, including bonds payable, current and long-term portions of accrued compensated absences, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(512,088)
Accrued interest payable	(592,588)
Bond premiums	(1,203,324)
Bonds payable	(40,950,000)
Net pension liability	(121,891,033)
<i>Total net position - governmental funds</i>	<u><u>\$ 33,458,202</u></u>

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

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017

	<b>General Fund 11000, 13000, 14000</b>	<b>Title I Special Revenue Fund 24101</b>	<b>Bond Building Capital Projects Fund 31100</b>
<i>Revenues</i>			
Property taxes	\$ 372,892	\$ -	\$ -
Oil and gas taxes	6,087	-	-
Intergovernmental revenues:			
Federal flowthrough	-	3,181,069	-
Federal direct	414,499	-	-
Local sources	6,209	-	1,446,262
State flowthrough	-	-	-
State direct	68,574,121	-	-
Transportation distribution	2,272,787	-	-
Charges for services	66,486	-	-
Investment income	60,246	-	18,287
Miscellaneous	428,401	-	-
<i>Total revenues</i>	<u>72,201,728</u>	<u>3,181,069</u>	<u>1,464,549</u>
<i>Expenditures</i>			
Current:			
Instruction	46,121,057	2,233,929	-
Support services - students	7,125,688	590,345	-
Support services - instruction	1,331,799	1,248	-
Support services - general administration	1,398,803	101,675	-
Support services - school administration	4,644,695	253,872	-
Central services	2,924,525	-	-
Operation and maintenance of plant	8,804,823	-	1,695,267
Student transportation	2,394,969	-	-
Other support services	9,369	-	-
Food services operations	-	-	-
Capital outlay	106,595	-	639,303
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>74,862,323</u>	<u>3,181,069</u>	<u>2,334,570</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,660,595)</u>	<u>-</u>	<u>(870,021)</u>
<i>Other financing sources (uses)</i>			
Proceeds from sale of capital assets	23,576	-	-
Transfers in	-	-	-
Transfers (out)	-	-	-
<i>Total other financing sources (uses)</i>	<u>23,576</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(2,637,019)	-	(870,021)
<i>Fund balances - beginning</i>	<u>15,129,753</u>	<u>267,677</u>	<u>7,845,268</u>
<i>Fund balances - end of year</i>	<u>\$ 12,492,734</u>	<u>\$ 267,677</u>	<u>\$ 6,975,247</u>

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

<b>Public School Capital Outlay Capital Projects Fund 31200</b>	<b>Debt Service Fund 41000</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ 5,750,492	\$ 2,004,700	\$ 8,128,084
-	63,410	24,197	93,694
-	-	3,478,657	6,659,726
-	-	8,523,664	8,938,163
-	-	1,895,941	3,348,412
4,377,399	-	3,515,297	7,892,696
-	-	68,260	68,642,381
-	-	-	2,272,787
-	-	578,213	644,699
-	9,796	23,369	111,698
-	-	-	428,401
<u>4,377,399</u>	<u>5,823,698</u>	<u>20,112,298</u>	<u>107,160,741</u>
-	-	4,807,575	53,162,561
-	-	2,726,122	10,442,155
-	-	107,973	1,441,020
-	57,895	332,708	1,891,081
-	-	177,776	5,076,343
-	-	7,535	2,932,060
-	-	887	10,500,977
-	-	22,945	2,417,914
-	-	-	9,369
-	-	6,877,432	6,877,432
4,377,399	-	3,493,670	8,616,967
-	4,305,000	-	4,305,000
-	1,375,663	-	1,375,663
<u>4,377,399</u>	<u>5,738,558</u>	<u>18,554,623</u>	<u>109,048,542</u>
-	85,140	1,557,675	(1,887,801)
-	-	-	23,576
-	-	1,808,425	1,808,425
-	-	(1,808,425)	(1,808,425)
-	-	-	23,576
-	85,140	1,557,675	(1,864,225)
-	6,036,502	7,199,721	36,478,921
<u>\$ -</u>	<u>\$ 6,121,642</u>	<u>\$ 8,757,396</u>	<u>\$ 34,614,696</u>

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



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**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
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, 2017

Exhibit B-2  
Page 2 of 2

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

Net change in fund balances - total governmental funds	\$ (1,864,225)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures	8,616,967
Depreciation expense	(7,295,229)
Book value of disposed capital assets	(95,923)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unavailable revenue related to property taxes receivable	179,071
Change in deferred inflow of resources related to grant receivables	(469,292)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

District pension contributions	6,908,542
Pension expense	(11,202,864)

Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds:

Increase in accrued compensated absences not due and payable	(21,205)
Decrease in accrued interest payable	23,072

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Amortization of bond premiums	77,078
Principal payments on bonds	4,305,000

<i>Change in net position of governmental activities</i>	<u><u>\$ (839,008)</u></u>
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The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
General Fund (11000, 13000, 14000)  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2017

Exhibit C-1

	<b>Budgeted Amounts</b>			<b>Variances Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<i>Revenues</i>				
Property taxes	\$ 358,633	\$ 358,633	\$ 369,569	\$ 10,936
Oil and gas taxes	14,904	14,904	5,627	(9,277)
Intergovernmental revenues:				
Federal flowthrough	-	-	-	-
Federal direct	203,356	203,356	414,499	211,143
Local sources	-	-	6,209	6,209
State flowthrough	-	-	-	-
State direct	70,798,020	68,168,880	68,530,009	361,129
Transportation distribution	2,441,611	2,272,787	2,272,787	-
Charges for services	30,000	30,000	65,486	35,486
Investment income	16,500	16,500	60,246	43,746
Miscellaneous	200,000	200,000	427,651	227,651
<i>Total revenues</i>	<u>74,063,024</u>	<u>71,265,060</u>	<u>72,152,083</u>	<u>887,023</u>
<i>Expenditures</i>				
Current:				
Instruction	46,389,405	48,400,484	45,791,383	2,609,101
Support services - students	6,756,619	7,363,462	7,126,421	237,041
Support services - instruction	1,444,632	1,448,060	1,315,761	132,299
Support services - general administration	1,351,322	1,561,275	1,402,129	159,146
Support services - school administration	4,640,291	4,787,010	4,633,486	153,524
Central services	2,929,249	3,092,945	2,948,177	144,768
Operation and maintenance of plant	9,780,398	10,652,320	8,682,655	1,969,665
Student transportation	2,301,999	2,406,805	2,394,832	11,973
Other support services	75,000	129,746	9,369	120,377
Capital outlay	4,000,000	766,530	82,156	684,374
<i>Total expenditures</i>	<u>79,668,915</u>	<u>80,608,637</u>	<u>74,386,369</u>	<u>6,222,268</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,605,891)</u>	<u>(9,343,577)</u>	<u>(2,234,286)</u>	<u>7,109,291</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	5,605,891	9,343,577	-	(9,343,577)
Proceeds from sale of capital assets	-	-	23,234	23,234
<i>Total other financing sources (uses)</i>	<u>5,605,891</u>	<u>9,343,577</u>	<u>23,234</u>	<u>(9,320,343)</u>
<i>Net change in fund balances</i>	-	-	(2,211,052)	(2,211,052)
<i>Fund balances - beginning of year</i>	-	-	14,629,257	14,629,257
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,418,205</u>	<u>\$ 12,418,205</u>
<i>Net change in fund balances (Non-GAAP Budgetary Basis)</i>				\$ (2,211,052)
Adjustments to revenues for changes in state revenues and property taxes				49,987
Adjustments to expenditures for materials, other charges, transportation expenditures				(475,954)
<i>Net change in fund balances (GAAP Basis)</i>				<u>\$ (2,637,019)</u>

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

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Title I Special Revenue Fund (24101)  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2017

Exhibit C-2

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>		
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
Intergovernmental revenue:				
Federal flowthrough	3,213,971	3,457,032	3,380,637	(76,395)
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,213,971</u>	<u>3,457,032</u>	<u>3,380,637</u>	<u>(76,395)</u>
<i>Expenditures</i>				
Current:				
Instruction	2,130,247	2,404,198	2,119,173	285,025
Support services - students	673,448	609,896	589,718	20,178
Support services - instruction	-	2,000	1,248	752
Support services - general administration	107,534	118,144	101,675	16,469
Support services - school administration	272,092	322,794	253,872	68,922
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
<i>Total expenditures</i>	<u>3,183,321</u>	<u>3,457,032</u>	<u>3,065,686</u>	<u>391,346</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>30,650</u>	<u>-</u>	<u>314,951</u>	<u>314,951</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	<u>(30,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>(30,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>314,951</u>	<u>314,951</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(1,340,251)</u>	<u>(1,340,251)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,025,300)</u>	<u>\$ (1,025,300)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 314,951
Adjustments to revenues for federal grants				(199,568)
Adjustments to expenditures for instruction and students				(115,383)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ -</u>

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

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**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2017

Exhibit D-1

	<b>Primary Government</b>	<b>Component Unit</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 958,474	\$ 6,653
Investments	46,306	-
Receivables	3,958	-
Prepays	1,736	-
<i>Total assets</i>	<u><u>\$ 1,010,474</u></u>	<u><u>\$ 6,653</u></u>
<b>Current Liabilities</b>		
Accounts payable	\$ 11,215	\$ -
Deposits held in trust for others	999,259	6,653
<i>Total liabilities</i>	<u><u>\$ 1,010,474</u></u>	<u><u>\$ 6,653</u></u>

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

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies**

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

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 government units.

During the year ended June 30, 2017, the District adopted GASB Statements 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* (partial), No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. These six Statements are required to be implemented as of June 30, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the District, as its pension plan is within the scope of Statement 68.

The objective of GASB Statement No. 74 is to improve the usefulness of information about 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 making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the District's financial statements directly; however, the effects on the District's OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The District's pension plan does not meet the criteria for exclusion.

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.



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**NOTE 1. Summary of Significant Accounting Policies (continued)**

GASB Statement No. 82 clarified and adjusted several items from GASB Statement Nos. 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

**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 amended by GASB Statements No. 39, No. 61 and No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units 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 in the reporting entity. Based upon the application of these criteria, the District has one component unit and is not a component unit of another government agency.

The District's Board of Education approved the Sidney Gutierrez Charter School for operations in accordance with the criteria listed above. The charter school is deemed to be fiscally dependent upon the District and has been deemed to be a separate legal entity based on state statute and is presented as a discrete component unit. The discretely presented component unit does not have separately issued financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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 District does not have any *business-type activities*.

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

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*A. Financial Reporting Entity (continued)*

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.

*B. Government-wide and fund financial statements*

The government-wide financial statements (the statement of net position and the statement of activities) 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 District does not have any *business-type activities*.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, state equalization, and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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, subject to the availability criterion. 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, subject to the availability criterion.

All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund (11000)* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by the District's school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the school except for those items included in other funds. The General Fund includes the *Pupil Transportation Fund*, which is used to account for transportation distribution received from the New Mexico Public Education Department, which is used to pay for the costs associated with transporting school age children. It also includes the *Instructional Materials Fund*, which is used to account for the monies received from the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

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

The *Bond Building Capital Projects Fund (31100)* is used to account for the erection of, remodeling of, additions to, and furnishings of school buildings.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

The *Public School Capital Outlay Fund (31200)* is used to account for the Public Schools Capital Outlay Council's (PSCOC) revenues and expenditures related to the donation of capital assets.

The *Debt Service Fund (41000)* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Funding authority is the New Mexico Public Education Department.

Additionally, the District reports the following agency fund:

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.

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.

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.

*D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity*

**Deposits and 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 Local Government Investment Pool (LGIP). The LGIP 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.

**Restricted Assets:** The Debt Service Fund is used to report resources set aside for the payment of long-term debt principal and interest. The Capital Outlay funds are used to report resources set aside for special capital outlay projects.

**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 a 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.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity*

The District receives monthly income from a tax levy in Chaves County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2017 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2017. Period of availability is deemed to be sixty days subsequent to year end.

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

**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Inventory:** The District's method of accounting for inventory is the consumption method. Inventory in the General Fund consists of expendable supplies held for consumption.

Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources": even though they are a component of net current assets. No unearned revenue was recorded for unused commodity inventory as of June 30, 2017.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Library books are not capitalized because they are considered to have a useful life of less than one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction projects paid for by the Public School Capital Outlay Council are included in the District's capital assets. No interest was included as part of the cost of capital assets under construction.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity*

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

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	20-50
Furniture, fixtures and equipment	5-20
Intangibles	20

**Deferred Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has one type of item, which arises under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, unavailable revenue - property taxes and unavailable revenue - grants, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$407,692 related to property taxes considered to be "unavailable." In addition, the District has three types of items present on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability and one for a gain on debt refunding. Accordingly, the items, net gain on debt refunding \$211,349, difference between expected and actual experience \$1,159,337 and change in proportion \$177,944, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has five types of items that qualify for reporting in this category.

Accordingly, the employer contributions subsequent to the measurement date \$6,908,542, differences between expected and actual experience \$528,809, net difference between projected and actual investment earnings on pension plan investments \$7,275,880, change in assumption \$2,481,213 and change in proportion \$270,485. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources in future periods.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity*

**Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Compensated Absences:** The District permits administrative employees to accumulate a limited amount of earned but unused vacation, which will be paid if not used, upon termination from the District. Accumulated sick leave benefits vest with each employee in accordance with the District's policy. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements. A liability for these accounts is reported in the governmental funds only if they have matured. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service by employee.

The liability for compensated absences increased \$21,205 for a total of \$512,088 as of June 30, 2017.

**Accrued Payroll:** In the fund financial statements, governmental fund types recognize the accrual of unpaid wages and benefits that employees have earned at the close of each fiscal year. The amount recognized in the fund financial statements represents checks that were held at year end in relation to employee's summer payroll.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

**Fund Balance Classification Policies and Procedures:** The District has implemented GASB Statement No. 54 and has defined the various categories reported in fund balance. For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment is a resolution of the Board of Education.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity*

For assigned fund balance, the Board of Education or an official or body to which the School Board of Education delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed.

This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Nonspendable Fund Balance:** At June 30, 2017, the nonspendable fund balance in the general fund is made up of \$196,136 for inventory and \$108,305 for prepaid expenses. Nonspendable fund balance in the Title I Special Revenue Fund is \$188,306 for prepaid expenses.

Nonspendable fund balance in the Food Services Fund is \$186,442 for inventory and \$1,225 for prepaid expenses. Nonspendable fund balance in the Entitlement IDEA-B Fund is \$6,249 for prepaid expenses. Nonspendable nonmajor funds is \$186,442 for food services and \$61,828 for prepaid expenses.

Nonspendable fund balance in the Title III-A Fund is \$375 for prepaid expenses. Nonspendable fund balance in the Teacher/Principal Training & Recruiting Fund is \$473 for prepaid expenses. Nonspendable fund balance in the Immigrant Funding Title III Fund is \$53,506 for prepaid expenses.

**Restricted and Committed Fund Balance:** At June 30, 2017, the restricted fund balance on the governmental funds balance sheet is made up of \$362 restricted for transportation, \$7,477,600 restricted for instructional materials, food services, extracurricular activities and education to the students of the District, \$8,651,377 restricted for the purpose of erecting, remodeling, making additions to and furnishing school buildings and purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [22-24-1 NMSA 1978], or any combination of these purposes, and \$6,121,642 restricted for the payment of principal and interest of the future debt service requirements. The District also has committed funds of \$5,322,501 in the general fund rebudgeted for the subsequent year's expenditures. The District has no minimum fund balance policy. Residual amounts are reported as unassigned in the General Fund.

**Net Position:** Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The District includes unspent bond proceeds in the amount of \$5,991,236 in the calculation of the net investment in capital assets.



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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity*

- b. Restricted Net Position: Net position is reported as restricted when constraints are 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 restricted for "special revenue, capital projects, and debt service" are described on pages 44-45, 49-50 and 52-53.
- c. Unrestricted Net Position: Net position that does not meet the definition of "Restricted" or "Net Investment in Capital Assets."

**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 for the District are management's estimate of depreciation on assets over their estimated useful lives, net pension liability and related deferred inflows and outflows of resources, and the current portion of accrued compensated absences.

**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 costs." 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 and the component unit received \$67,547,830 and \$611,219 respectively, in state equalization guarantee distributions during the year ended June 30, 2017.

**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. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District and Component Unit recognized \$7,840,366 and \$12,819 in tax revenues respectively, in the government-wide financial statements during the year ended June 30, 2017. 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.

**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 12 attending public school within the school district. The District received \$2,272,787 in transportation distributions during the year ended June 30, 2017.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity*

**Instructional Materials:** The Public Education Department (Department) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$555,292.

**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. 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 and the Component Unit received \$1,214,827 and \$6,409, respectively, in state SB-9 matching during the year ended June 30, 2017.

**Public School Capital Outlay:** The public school capital outlay fund was created under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used for: capital expenditures deemed by the public school capital outlay council to be 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.

The District and the Component Unit received \$4,377,399 and \$32,094 respectively, in Public School Capital Outlay matching during the year ended June 30, 2017.

**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 operates under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Public Education Department). The various budgets are approved by the local School Board and the New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Financial Statements  
June 30, 2017

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

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

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, with payroll and held checks being accrued and expensed, therefore, fund balances on the budget statements do not reconcile to cash due to the District's accrued payroll which is presented on the accrual basis. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as restricted fund balance.

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

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are 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 is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the 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.

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Financial Statements  
June 30, 2017

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

*Budgetary Information (continued)*

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 original budget and the final budget.
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 School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits the District from exceeding budgetary control at the function level.

The appropriated budget for the year ended June 30, 2017, was properly amended by the District's Board of Education throughout the year. The amendments resulted in the following changes:

	<b>Excess (deficiency) of revenues over expenditures</b>	
	<b>Original Budget</b>	<b>Final Budget</b>
Budgeted Funds:		
General Fund	\$ (5,605,891)	\$ (9,343,577)
Title I Special Revenue Fund	30,650	(1)
Bond Building Capital Projects Fund	(5,098,011)	(8,203,153)
Public School Capital Outlay Capital Projects Fund	(7,500,000)	(8,000,000)
Debt Service Fund	(66,626)	(6,327,726)
Other Governmental Funds	(2,709,540)	(766,772)

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

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

**NOTE 3. Deposits and Investments**

Section 22-8-40, NMSA 1978 authorizes 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, 2017.

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Financial Statements  
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**NOTE 3. Deposits and Investments (continued)**

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 collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance. The collateral pledged is listed on Schedule V in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, District or political subdivision of the State of New Mexico.

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 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.

All of the District's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$37,196,352 of the District's bank balances of \$37,701,352 was exposed to custodial credit risk. \$37,196,352 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the District's name, and \$0 was uninsured and uncollateralized.

	<u>Pioneer Bank</u>	<u>Total</u>
Amount of deposits	\$ 37,701,352	\$ 37,701,352
FDIC coverage	(505,000)	(505,000)
Total uninsured public funds	<u>37,196,352</u>	<u>37,196,352</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>37,196,352</u>	<u>37,196,352</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50%)	\$ 18,598,176	\$ 18,598,176
Pledged securities	45,372,117	45,372,117
Over (under) collateralized	<u>\$ 26,773,941</u>	<u>\$ 26,773,941</u>

The collateral pledged is listed on Schedule III of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, School district or political subdivision of the State of New Mexico.

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Financial Statements  
June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

Reconciliation to the Statement of Net Position

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

Primary Government

Reconciliation to the Statement of Net Position

Cash and cash equivalents per Exhibit A-1	\$ 29,076,508
Restricted cash per Exhibit A-1	6,050,937
Investments per Exhibit A-1	2,625
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit E-1	958,474
Investments - Statement of Fiduciary Assets and Liabilities per Exhibit E-1	46,306
Total cash, cash equivalents, and investments	36,134,850
Add: outstanding checks	1,570,669
Less: LGIP	(3,677)
Less: petty cash	(490)
Bank balance of deposits	\$ 37,701,352

**Component Unit**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Component Unit's deposits may not be returned to it. The Component Unit does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$369,626 of the Component Unit's bank balances of \$374,626 was exposed to custodial credit risk. \$369,626 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the District's name, and \$0 was uninsured and uncollateralized.

	<u>Pioneer Bank</u>	<u>Total</u>
Amount of deposits	\$ 374,626	\$ 374,626
FDIC coverage	(5,000)	(5,000)
Total uninsured public funds	369,626	369,626
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	369,626	369,626
Uninsured and uncollateralized	\$ -	\$ -
Collateral requirement (50%)	\$ 184,813	\$ 184,813
Pledged securities	374,626	374,626
Over (under) collateralized	\$ 189,813	\$ 189,813

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Financial Statements  
June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

The collateral pledged is listed on Schedule V of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, School district or political subdivision of the State of New Mexico.

Reconciliation to the Statement of Net Position

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

Component Unit

Reconciliation to the Statement of Net Position

Cash and cash equivalents per Exhibit A-1	\$ 360,652
Cash in agency funds	<u>6,653</u>
Total cash, cash equivalents, and investments	367,305
Add: outstanding checks	<u>7,321</u>
Bank balance of deposits	<u><u>\$ 374,626</u></u>

**Investments**

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2017, the District had the following investments and maturities:

	106 day- WAM ( F ) and 58 day-WAM ( R )	\$ 3,677	AAAm **
New MexiGROW LGIP		<u>3,677</u>	
Investments per Exhibit A-1		<u><u>\$ 3,677</u></u>	

\* Based on Moody's Rating

\*\* Based on Standard & Poor's rating

The investments are listed on Schedule IV of this report. The types of investment, interest rate, maturity date and fair value per security are included in the schedule.

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Financial Statements  
June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

*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.

*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. Since the District only purchases investment with high credit ratings, the additional concentration is not viewed to be an additional risk by the District. The District's policy related to concentration credit 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).

**NOTE 4. Accounts Receivable**

**Primary Government**

Accounts receivable as of June 30, 2017, are as follows:

	<b>General Fund</b>	<b>Title I</b>	<b>Bond Building</b>
Taxes receivable:			
Property taxes	\$ 21,181	\$ -	\$ -
Due from other governments:			
State	-	-	1,210,541
Federal	-	1,051,476	-
Other receivables:			
Oil and gas taxes	460	-	-
Reimbursements	60,699	-	-
Totals by fund	<u>\$ 82,340</u>	<u>\$ 1,051,476</u>	<u>\$ 1,210,541</u>

	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>	<b>Agency Funds</b>
Taxes receivable:				
Property taxes	\$ 360,477	\$ 123,167	\$ 504,825	\$ -
Due from other governments:				
State	-	1,348,657	2,559,198	-
Federal	-	1,170,087	2,221,563	-
Other receivables:				
Oil and gas taxes	-	1,830	2,290	-
Reimbursements	-	71,682	132,381	3,958
Totals by fund	<u>\$ 360,477</u>	<u>\$ 2,715,423</u>	<u>\$ 5,420,257</u>	<u>\$ 3,958</u>

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$407,692 that was not collected within the period of availability has been reclassified as deferred inflows for unavailable revenue in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.



**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
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June 30, 2017

**NOTE 4. Accounts Receivable (continued)**

**Component Unit**

Accounts receivable as of June 30, 2017, are as follows:

	Other Governmental Funds	Total
Taxes receivable:		
Property taxes	\$ 764	\$ 764
Oil and gas taxes	-	-
Due from other governments:		
State	-	-
Federal	-	-
Other receivables:		
Reimbursements	11	11
	<u>11</u>	<u>11</u>
Totals by fund	<u>\$ 775</u>	<u>\$ 775</u>

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$649 that was not collected within the period of availability has been reclassified as deferred inflows for unavailable revenue in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Financial Statements  
June 30, 2017

**NOTE 5. Interfund Receivables, Payables, and Transfers**

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. The composition of interfund balances during the year ended June 30, 2017 is as follows:

<u>Governmental Activities</u>	<u>Due from other funds</u>	<u>Due to other funds</u>
<b>General Fund</b>	\$ 11,540,225	\$ -
<b>Special Revenue Fund</b>		
Title I IASA	-	2,268,996
<b>Capital Project Fund</b>		
Public School Capital Outlay	-	6,000,000
<b>Nonmajor Funds</b>		
Migrant Children Education	-	25,000
Entitlement Idea B	-	1,233,837
Preschool IDEA B	-	40,000
IDEA-B Private Schools Share	-	14,025
Title III - English Language Acquisition	-	95,494
Teacher/Principal Training & Recruiting	-	173,538
Title I School Improvement	-	30,000
Immigrant Funding - Title III	-	94,910
Carl D Perkins Secondary Current	-	82,018
Carl D Perkins Secondary Redistribution	-	16,000
Carl D Perkins HSTW Current	-	97,000
Dual Credit Instructional Materials -FY 14-15	-	12,000
2012 GOB Public Library Award	-	15,000
PreK Initiative	-	416,650
Schools in Need of Improvement Grant	-	30,757
Kindergarten Three Plus	-	720,000
Capital Improvements SB9	-	175,000
	<u>\$ 11,540,225</u>	<u>\$ 11,540,225</u>
Total	<u>\$ 11,540,225</u>	<u>\$ 11,540,225</u>

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

At June 30, 2017, net operating transfers, made to close out funds were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Capital improvements SB9	Capital improvements SB9 Local	\$ 1,808,425
		<u>\$ 1,808,425</u>

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Financial Statements  
June 30, 2017

**NOTE 6. Capital Assets**

**Primary Government**

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and construction in progress are not subject to depreciation.

Capital assets, net of accumulated depreciation, at June 30, 2017 appear in the Statement of Net Position as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,477,313	\$ -	\$ -	\$ 2,477,313
Construction in progress	3,576,301	6,689,400		10,265,701
	<u>6,053,614</u>	<u>6,689,400</u>	<u>-</u>	<u>12,743,014</u>
Total capital assets not being depreciated	6,053,614	6,689,400	-	12,743,014
Capital assets being depreciated:				
Land improvements	16,662,167	726,856	-	17,389,023
Buildings and improvements	183,084,747	287,797	(339,730)	183,032,814
Furniture, fixtures and equipment	9,540,621	912,914	(297,656)	10,155,879
Intangibles	451,398	-	-	451,398
	<u>209,738,933</u>	<u>1,927,567</u>	<u>(637,386)</u>	<u>211,029,114</u>
Total capital assets being depreciated	209,738,933	1,927,567	(637,386)	211,029,114
Less accumulated depreciation:				
Land improvements	9,721,460	645,057	-	10,366,517
Buildings and improvements	52,679,158	6,148,834	(298,715)	58,529,277
Furniture, fixtures and equipment	6,819,528	501,338	(242,749)	7,078,117
Intangibles	245,045	-	-	245,045
	<u>69,465,191</u>	<u>7,295,229</u>	<u>(541,464)</u>	<u>76,218,956</u>
Total accumulated depreciation	69,465,191	7,295,229	(541,464)	76,218,956
Total capital assets, net of depreciation	<u>\$ 146,327,356</u>	<u>\$ 1,321,738</u>	<u>\$ (95,922)</u>	<u>\$ 147,553,172</u>

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Financial Statements  
June 30, 2017

**NOTE 6. Capital Assets (continued)**

Depreciation expense for the year ended June 30, 2017 was charged to the following functions:

Instruction	\$ 4,038,769
Support services - students	790,311
Support services - instruction	104,491
Support services - general admin	125,775
Support services - school admin	385,719
Central services	356,711
Operation and maintenance of plant	659,329
Student transportation	202,156
Other support services	1,050
Food service operations	<u>630,918</u>
Total	<u><u>\$ 7,295,229</u></u>

**Component Unit**

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>Governmental activities:</b>				
Capital assets being depreciated:				
Land improvements	\$ 68,126	\$ -	\$ -	\$ 68,126
Furniture, fixtures and equipment	<u>116,086</u>	<u>-</u>	<u>-</u>	<u>116,086</u>
Total capital assets being depreciated	<u>184,212</u>	<u>-</u>	<u>-</u>	<u>184,212</u>
Less accumulated depreciation:				
Land improvements	4,441	3,365	-	7,806
Furniture, fixtures and equipment	<u>114,173</u>	<u>1,082</u>	<u>-</u>	<u>115,255</u>
Total accumulated depreciation	<u>118,614</u>	<u>4,447</u>	<u>-</u>	<u>123,061</u>
Total capital assets, net of depreciation	<u><u>\$ 65,598</u></u>	<u><u>\$ (4,447)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 61,151</u></u>

Depreciation expense in the amount of \$4,447 was charged to Instruction in the Statement of Activities.

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
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**NOTE 7. Long-term Debt**

General obligation bonds are secured by and payable solely from the Debt Service Fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2017 are for governmental activities.

Bonds outstanding at June 30, 2017 are comprised of the following:

	<u>Series 2009A</u>	<u>Series 2010</u>	<u>Series 2011</u>
Original Issue	\$ 15,000,000	\$ 8,000,000	\$ 9,500,000
Principal	1-Aug	1-Aug	1-Aug
Interest	1-Feb	1-Feb	1-Feb
	1-Aug	1-Aug	1-Aug
Interest Rates	3.00% - 4.25%	2.00% - 3.00%	2.00% - 3.00%
Maturity Date:	8/1/2022	8/1/2023	8/1/2024

	<u>Series 2013</u>	<u>Series 2015 A</u>	<u>Series 2015 B</u>
Original Issue	\$ 6,500,000	\$ 8,000,000	\$ 5,675,000
Principal	1-Aug	1-Aug	1-Aug
Interest	1-Feb	1-Feb	1-Feb
	1-Aug	1-Aug	1-Aug
Interest Rates	2.00% - 3.50%	2.00% - 4.00%	4.00%
Maturity Date:	8/1/2029	8/1/1930	8/1/2021

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Gross Receipts Revenue Bonds	\$ 45,255,000	\$ -	\$ 4,305,000	\$ 40,950,000	\$ 4,640,000
Compensated Absences	490,883	477,065	455,860	512,088	455,860
Total long-term debt	<u>\$ 7,248,287</u>	<u>\$ 477,065</u>	<u>\$ 4,760,860</u>	<u>\$ 41,462,088</u>	<u>\$ 5,095,860</u>

**STATE OF NEW MEXICO**  
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**NOTE 7. Long-term Debt (continued)**

The annual requirement to amortize the District's bonds outstanding as of June 30, 2017, including interest payments, is as follows:

**GO Bond Series 2009A**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 1,410,000	\$ 231,962	\$ 1,641,962
2019	1,490,000	186,600	1,676,600
2020	1,500,000	136,138	1,636,138
2021	1,490,000	82,882	1,572,882
2022	1,490,000	27,938	1,517,938
	<u>\$ 7,380,000</u>	<u>\$ 665,520</u>	<u>\$ 8,045,520</u>

**GO Bond Series 2010**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 800,000	\$ 184,000	\$ 984,000
2019	1,000,000	162,750	1,162,750
2020	1,200,000	138,000	1,338,000
2021	1,300,000	105,000	1,405,000
2022	1,400,000	64,500	1,464,500
2023	1,450,000	21,750	1,471,750
	<u>\$ 7,150,000</u>	<u>\$ 676,000</u>	<u>\$ 7,826,000</u>

**STATE OF NEW MEXICO**  
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**NOTE 7. Long-term Debt (continued)**

**GO Bond Series 2011**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 625,000	\$ 242,050	\$ 867,050
2019	735,000	224,775	959,775
2020	625,000	204,375	829,375
2021	1,500,000	172,500	1,672,500
2022	1,500,000	127,500	1,627,500
2023-2024	3,500,000	108,800	3,608,800
	<u>\$ 8,485,000</u>	<u>\$ 1,080,000</u>	<u>\$ 9,565,000</u>

**GO Bond Series 2013**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 100,000	\$ 173,250	\$ 273,250
2019	-	172,250	172,250
2020	-	172,250	172,250
2021	-	172,250	172,250
2022	575,000	163,625	738,625
2023-2027	3,300,000	529,500	3,829,500
2028-2029	1,400,000	49,000	1,449,000
	<u>\$ 5,375,000</u>	<u>\$ 1,432,125</u>	<u>\$ 6,807,125</u>

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**NOTE 7. Long-term Debt (continued)**

**GO Bond Series 2015A**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 250,000	\$ 248,000	\$ 498,000
2019	200,000	243,000	443,000
2020	225,000	239,000	464,000
2021	200,000	234,500	434,500
2022	200,000	230,500	430,500
2023-2027	3,975,000	855,500	4,830,500
2028-2030	2,700,000	162,000	2,862,000
	<u>\$ 7,750,000</u>	<u>\$ 2,212,500</u>	<u>\$ 9,962,500</u>

**GO Bond Series 2015B**

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 1,455,000	\$ 192,400	\$ 1,647,400
2019	1,205,000	134,200	1,339,200
2020	1,400,000	86,000	1,486,000
2021	750,000	30,000	780,000
	<u>\$ 4,810,000</u>	<u>\$ 442,600</u>	<u>\$ 5,252,600</u>

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences increased \$21,205 from the prior year accrual. In prior years, the general fund was typically used to liquidate such long-term liabilities. See Note 1 for more details.

**NOTE 8. Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error omissions; and natural disasters, for which the District is a member of the New Mexico Public School 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.



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**NOTE 8. Risk Management (continued)**

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$15,000 deductible per occurrence with a maximum annual deductible of \$60,000. 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 Securities, which include 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, 2017, there have been no claims that have exceeded insurance coverage.

**NOTE 9. Pension Plan – Educational Retirement Board**

**General Information about the Pension Plan**

**Plan description.** ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational 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](http://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.

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**NOTE 9. Pension Plan – Educational Retirement Board (continued)**

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.

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 plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2016 employers contributed 13.90% 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 10.70% of their gross annual salary. For fiscal year ended June 30, 2017 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$6,908,542 for the year ended June 30, 2017.

**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, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016. At June 30, 2017, the District and the Component Unit reported a liability of \$121,891,033 and \$880,124 respectively, for their proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978.

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**NOTE 9. Pension Plan – Educational Retirement Board (continued)**

At June 30, 2017, the District's proportion was 0.34933 percent, which was a decrease of 0.01426 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District and the Component Unit recognized pension expense of \$11,202,865 and \$98,285 respectively. At the June 30, 2017, the District and Component Unit reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

**Primary Government**

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 528,809	\$ 1,159,337
Net difference between projected and actual earnings on pension plan investments	7,275,880	-
Changes in proportion and differences between District contributions and proportionate share of contribution	270,485	177,944
Changes in assumptions	2,481,213	-
District's contributions subsequent to the measurement date	6,908,542	-
Total	<u>\$ 17,464,929</u>	<u>\$ 1,337,281</u>

**Component Unit**

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 3,818	\$ 8,371
Net difference between projected and actual earnings on pension plan investments	52,536	-
Changes in proportion and differences between District contributions and proportionate share of contribution	37,478	6,587
Changes in assumptions	17,916	-
District's contributions subsequent to the measurement date	55,306	-
Total	<u>\$ 167,054</u>	<u>\$ 14,958</u>

\$6,908,542 and \$55,306 reported as deferred outflows of resources related to pensions resulting from District and Component Unit's contributions subsequent to the measurement date of June 30, 2015 respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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**NOTE 9. Pension Plan – Educational Retirement Board (continued)**

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:

2018	\$	(1,950,878)
2019		(2,053,581)
2020		(3,440,350)
2021		(1,774,297)
2022		-
Thereafter		-

**Component Unit:**

Year ended June 30:

2018	\$	(31,374)
2019		(29,490)
2020		(23,044)
2021		(12,882)
2022		-
Thereafter		-

**Actuarial assumptions.** The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2015. The liabilities reflect the impact of Senate Bill 115, signed into law March 29, 2013 and new assumptions adopted by the Board of Trustees on June 12, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their 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 the Board on June 12, 2015 in conjunction with the six year experience study period ending June 30, 2014.
5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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**NOTE 9. Pension Plan – Educational Retirement Board (continued)**

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 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	Healthy males: RP-2000 Combined Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table's base year of 2012

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. ERB's investment allocation policy was reviewed and amended by the Board of Trustees on August 26, 2016. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocation policy adopted August 26, 2016 as well as the prior allocation policy targets.

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**NOTE 9. Pension Plan – Educational Retirement Board (continued)**

**Comparative Schedule of Target Investment Allocation**

<b>Asset Class</b>	<b>Target Allocation</b>	
	<b>After 8/26/2016</b>	<b>Prior to 8/26/2016</b>
<b>Equities</b>		
<i>Domestic Equities</i>		
Large cap equities	16%	18%
Small- mid cap equities	3%	2%
<i>Total domestic</i>	19%	20%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	9%	10%
<i>Total international</i>	14%	15%
<b>Total equities</b>	33%	35%
<b>Fixed Income</b>		
Opportunistic credit	18%	20%
Core bonds	6%	6%
Emerging market debt	2%	2%
<b>Total fixed income</b>	26%	28%
<b>Alternatives</b>		
Real estate - REITS	7%	7%
Real assets	8%	8%
Private equity	13%	11%
Global asset allocation	4%	5%
Risk parity	3%	5%
Other	5%	0%
<b>Total alternatives</b>	40%	36%
<b>Cash</b>	1%	1%
<b>Total</b>	100%	100%

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**NOTE 9. 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, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

**Sensitivity of the District's proportionate share of the net pension 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 2016. 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.

**Primary Government**

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
District's proportionate share of the net pension liability	\$ 161,441,842	\$ 121,891,033	\$ 89,075,035

**Component Unit**

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Charter's proportionate share of the net pension liability	\$ 1,165,704	\$ 880,124	\$ 643,173

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2016 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

**Payables to the pension plan.** Roswell Independent School District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15<sup>th</sup> day of the month following the month for which contributions are withheld. At June 30, 2016 the District and Component Unit owed the ERB \$1,331,657 and \$9,760 respectively, for the contributions withheld in the month of June 2017.

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**NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan**

*Plan Description.* 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 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](http://www.nmrhca.state.nm.us).

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

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

The District's contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$994,161, \$963,474, and \$936,100, respectively, which equal the required contributions for each year.



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**NOTE 11. 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 12. Tax Abatements**

The District has not negotiated any tax abatement agreements. The District is affected by tax abatements entered into by other entities, as follows:

<b>Agency number for Agency making the disclosure (Disclosing Agency)</b>	5003	5003
<b>Disclosing Agency Name</b>	Chaves County	Chaves County
<b>Disclosing Agency Type</b>	County Government	County Government
<b>Tax Abatement Agreement Name</b>	Industrial Revenue Bond Project Agreement Series 2015A	Industrial Revenue Bond Project Agreement Series 2000
<b>Name of agency affected by abatement agreement (Affected Agency)</b>	Roswell Independent School District	Roswell Independent School District
<b>Agency number of Affected Agency</b>	7072	7072
<b>Agency type of Affected Agency</b>	Public Schools	Public Schools
<b>Tax Abatement Agreement Name</b>	Roswell Solar Series 2015A	AC Nutrition Series 2000
<b>Recipient(s) of tax abatement</b>	Roswell Solar LLC	AC Nutrition
<b>Tax abatement program (name and brief description)</b>	Industrial Revenue Bonds	Industrial Revenue Bonds
<b>Specific Tax Being Abated</b>	Property Tax	Property Tax
<b>Authority under which abated tax is paid to Affected Agency</b>	Industrial Revenue Bond Act, Section 4-59- 1 to 4-59-16 NMSA 1978	Industrial Revenue Bond Act, Section 4-59- 1 to 4-59-16 NMSA 1978
<b>Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement</b>	\$702,639	\$3,847
<b>If the Disclosing Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission</b>	N/A	N/A

**STATE OF NEW MEXICO**  
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**NOTE 13. Other Required Individual Fund Disclosures**

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

- A. Deficit fund balance of individual funds. The District had six funds that maintained a deficit fund balance at June 30, 2017.

**Nonmajor Funds**

IDEA-B Entitlement	\$ (2,617)
Title III-A	(9,849)
Immigrant Funding	(23,510)
Carl Perkins Secondary	(7,243)
Schools in Need of Improvement	(30,757)
Capital Improvements SB-9 State	<u>(130,645)</u>
Total Governmental Funds	<u><u>\$ (204,621)</u></u>

- B. Excess of expenditures over appropriations. The District had no funds with excess of expenditures over appropriations for the year ended June 30, 2017.
- C. Designated cash appropriations in excess of available balance. The District had no designated cash appropriations in excess of available balances for the year ended June 30, 2017.

**NOTE 14. Concentrations**

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

**NOTE 15. Commitments**

The District had a construction project ongoing as of the year ended June 30, 2017 that is to continue into the following fiscal year. The balance to complete the project is \$2,277,979.

**NOTE 16. Restricted Net Position**

The government-wide statement of net position reports \$15,780,355 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related restrictions for net position restricted for special revenue, debt service and capital projects, see pages 44-45, 49-50 and 52-53.

**NOTE 17. Subsequent Events**

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is November 10, 2017, which is the date on which the financial statements were issued.

**STATE OF NEW MEXICO**  
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**NOTE 18. Subsequent Pronouncements**

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 fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The District expects this pronouncement to have a material effect on the financial statements.

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The District is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to in-substance defeasance of debt using only existing resources. The District does not expect the pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Schedule of Proportionate Share of the Net Pension Liability  
Educational Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

Schedule I

	<b>2017 Measurement Date (As of and for the Year Ended June 30, 2016)</b>	<b>2016 Measurement Date (As of and for the Year Ended June 30, 2015)</b>	<b>2015 Measurement Date (As of and for the Year Ended June 30, 2014)</b>
<b>Primary Government</b>			
Roswell Independent School District No. 4's proportion of the net pension liability (asset)	1.69377%	1.69413%	1.69934%
Roswell Independent School District No. 4's proportionate share of the net pension liability (asset)	\$ 121,891,033	\$ 109,733,312	\$ 96,959,771
Roswell Independent School District No. 4's covered payroll	46,255,176	48,088,200	46,835,547
Roswell Independent School District No. 4's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	264%	228%	207%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	63.97%	66.54%

	<b>2017 Measurement Date (As of and for the Year Ended June 30, 2016)</b>	<b>2016 Measurement Date (As of and for the Year Ended June 30, 2015)</b>	<b>2015 Measurement Date (As of and for the Year Ended June 30, 2014)</b>
<b>Component Unit</b>			
Charter School - Sidney Gutierrez's proportion of the net pension liability (asset)	0.01223%	0.01237%	0.01126%
Charter School - Sidney Gutierrez's proportionate share of the net pension liability (asset)	\$ 880,124	\$ 801,238	\$ 642,457
Charter School - Sidney Gutierrez's covered payroll	337,741	351,514	310,302
Charter School - Sidney Gutierrez's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	261%	228%	207%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	63.97%	66.54%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Roswell Independent School District No. 4 and Charter School Sidney Gutierrez will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Schedule of Contributions  
Educational Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

Schedule II

	<b>As of and for the Year Ended June 30, 2017</b>	<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
Contractually required contribution	\$ 6,908,542	\$ 6,429,469	\$ 6,694,689
Contributions in relation to the contractually required contribution	<u>6,908,542</u>	<u>6,429,469</u>	<u>6,694,689</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Roswell Independent School District No. 4 covered payroll	49,706,365	46,255,176	48,088,200
Contribution as a percentage of covered payroll	13.90%	13.90%	13.92%

	<b>As of and for the Year Ended June 30, 2017</b>	<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
Contractually required contribution	\$ 55,306	\$ 46,946	\$ 48,861
Contributions in relation to the contractually required contribution	<u>55,306</u>	<u>46,946</u>	<u>48,861</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School - Sydney Gutierrez covered payroll	397,882	337,741	351,514
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	13.90%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Roswell Independent School District No. 4 and Charter School Sydney Gutierrez will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Notes to Required Supplementary Information  
June 30, 2017

*Changes of benefit terms.*

The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure Pension Plan – Educational Retirement Board, General Information on the Pension Plan.

*Changes of assumptions.*

The Board of Trustees approved the following economic and demographic assumptions used in the fiscal year 2015 actuarial calculation of the total pension liability on June 12, 2015:

- 1) Lower wage inflation from 4.25% to 3.75%
- 2) Update the mortality tables to incorporate generational improvements
- 3) Update demographic assumptions to use currently published tables, which may result in minor calculation changes
- 4) Maintain in current 3.00% inflation assumption
- 5) Retain net 4.75% real return assumption
- 6) Retain 7.75% nominal return assumption
- 7) No change to COLA assumption of 2.00% per year
- 8) Maintain current payroll growth assumption of 3.50%
- 9) Maintain experience-based rates for members who joined NMERB by June 30, 2010
- 10) Remove population growth assumption for projections
- 11) Lower population growth from .50% to zero (no impact on valuation results)

Assumption changes increased the Education Retirement Board's total pension liability by \$299,084,856 for fiscal year ending June 30, 2015 as a result of the changes of assumptions described above.

See independent auditors' report.

## **SUPPLEMENTARY INFORMATION**



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## **COMPLIANCE SECTION**

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

**INDEPENDENT AUDITORS' REPORT**

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget  
The Board of Education  
Roswell Independent School District No. 4  
Roswell, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and the major special revenue fund of Roswell Independent School District No. 4 (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2017.

**Internal Control over Financial Reporting**

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

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

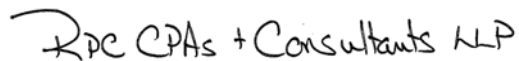
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "RPC CPAs + Consultants LLP". The signature is written in a cursive, slightly stylized font.

RPC CPAs + Consultants, LLP  
Albuquerque, NM  
November 10, 2017

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## **FEDERAL FINANCIAL ASSISTANCE**



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

**INDEPENDENT AUDITORS' REPORT**

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget  
The Board of Education  
Roswell Independent School District No. 4  
Roswell, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited Roswell Independent School District No. 4's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

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

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

## Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

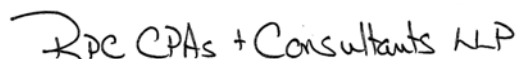
## Report on Internal Control Over Compliance

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

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

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

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



RPC CPAs + Consultants, LLP  
Albuquerque, NM  
November 10, 2017



**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

<b>Federal Grantor/Pass Through Grantor/Program Title</b>	<b>Pass Thru Number</b>	<b>Federal C.F.D.A. Number</b>	<b>Expenditures</b>	<b>Funds Provided to Subrecipients</b>	<b>Noncash Assistance</b>
<b>U.S. Department of Health and Human Services</b>					
<i>Direct United States Department of Health and Human Services</i>					
Community-Based Child Abuse Prevention	28189	93.590	\$ 4,000	\$ -	\$ -
Temporary Assistance for Needy Families	28190	93.558	9,500	-	-
Total U.S. Department of Energy			<u>13,500</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Education</b>					
<i>Passthrough - State of NM Public Education Department</i>					
Title I Grants to Local Educational Agencies	24162	84.010A	44,715	-	-
English Language Acquisition - Immigrant Funding	24163	84.365	89,657	-	-
Title I Grants to Local Educational Agencies - Improving America's Schools	24101	84.010	3,181,069	-	-
Special Ed-Grants to States (IDEA, Part B) - Entitlement (a)	* 24106	84.027	2,349,657	-	-
Special Ed-Preschool Grants (IDEA Preschool) (a)	* 24109	84.173	82,404	-	-
Special Ed-Grants to States (IDEA, Part B) - Private School Share (a)	* 24115	84.173	16,160	-	-
Migrant Education State Grant Program	24103	84.011A	35,900	-	-
English Language Acquisition State Grants	24153	84.365A	96,343	-	-
Supporting Effective Instruction State Grant	* 24154	84.367A	427,349	-	-
Career and Tech Ed-Basic Grants to States - Secondary- Current	24174	84.0480	122,946	-	-
Career and Tech Ed-Basic Grants to States - Secondary- PY Obligations	24176	84.0482	12,543	-	-
Career and Tech Ed-Basic Grants to States - Secondary- PY Obligations	24180	84.048	82,123	-	-
Career and Tech Ed-Basic Grants to States - Secondary- PY Obligations	24181	84.0481	263	-	-
Total U.S. Department of Education Passthrough			<u>6,541,129</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Agriculture</b>					
<i>Passthrough - State of NM Public Education Department</i>					
School Breakfast Program	21000	10.553	3,068,777		
National School Lunch Program (b)	21000	10.555	3,869,018	-	-
Total U.S. Department of Agriculture Passthrough			<u>6,937,795</u>	<u>-</u>	<u>-</u>
<i>Total Federal Financial Assistance</i>			<u>\$ 13,492,424</u>	<u>\$ -</u>	<u>\$ -</u>

\* Major program

( ) Denotes cluster

(a) Special Education Cluster (IDEA)

(b) Child Nutrition Cluster

See Independent Auditors' Report.

See accompanying notes to schedule of expenditures of federal awards.

**Notes to Schedule of Expenditures of Federal Awards****Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Roswell Independent School District No. 4 (The District) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Loans**

The District did not expend federal awards related to loans or loan guarantees during the year.

**10% de minimus Indirect Cost Rate**

The District did not elect to use the allowed 10% indirect cost rate.

**Federally Funded Insurance**

The District has no federally funded insurance.

**Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:**

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$	13,492,424
Total expenditures funded by other sources		<u>96,762,483</u>
<i>Total expenditures</i>	\$	<u><u>109,048,542</u></u>

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Schedule of Findings and Questioned Costs  
June 30, 2017

Schedule VIII  
Page 1 of 2

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted?                     | None noted |

*Federal Awards:*

- |   |            |
|---|------------|
| 1. Type of auditors' report issued on compliance for major programs   | Unmodified |
| 2. Internal control over major programs:  |            |
| a. Material weaknesses identified?  | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses?                              | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | None noted |
| 4. Identification of major programs:  |            |

<u>CFDA Number</u>	<u>Federal Program</u>
	<b>Special Education Cluster</b>
84.027	Special Education-Grants to States (IDEA-B)-Entitlement
84.173	Special Education-Preschool Grants (IDEA Preschool)
84.173	Special Education- Grants to States (IDEA-B)- Private School Share
84.367A	Supporting Effective Instruction

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee?                                   | Yes       |

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Schedule of Findings and Questioned Costs  
June 30, 2017

Schedule VIII  
Page 2 of 2

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

**No financial statement findings noted**

**C. FINDINGS-SECTION 12-6-5 NMSA 1978 FINDINGS**

**No section 12-6-5 NMSA 1978 findings noted**

**D. FEDERAL AWARD FINDINGS**

**No federal award findings noted**

**E. PRIOR YEAR AUDIT FINDINGS**

**No prior year findings noted**

**STATE OF NEW MEXICO**  
Roswell Independent School District No. 4  
Other Disclosures  
June 30, 2017

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on November 10, 2017. In attendance were the following:

**Representing Roswell Independent School District No. 4:**

Mona Kirk, School Board President,  
Susan Sanchez, Interim Superintendent of School  
Chad Cole, Assistant Superintendent for Finance and Operations  
Mike Notz, Director of Business Services  
Joe Andreis, Charter School Principal  
Linda Purcella, SGMS Business Manager

**Representing RPC CPAs + Consultants, LLP**

Alan Bowers, CPA, Partner

**Auditor Prepared Financial Statements**

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of Roswell Independent School District from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.

## APPENDIX C

### BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Use of Certain Terms in Other Sections of this Official Statement**

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

#### **Effect of Termination of Book-Entry-Only System**



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

## APPENDIX D

### FORM OF BOND COUNSEL OPINION

John R. Cooney  
James M. Parker  
Arthur D. Melendres  
James P. Houghton  
Paul M. Fish  
R. E. Thompson  
Lynn H. Slade  
Douglas R. Vadnais  
Walter E. Stern III  
Martha G. Brown  
Tim L. Fields  
Earl E. DeBrine, Jr.  
Timothy C. Holm  
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September 26, 2018

Board of Education  
Roswell Independent School District  
Roswell, New Mexico

Ladies and Gentlemen:

We have acted as bond counsel to Roswell Independent School District (the "District") in connection with the issuance of its \$4,210,000 General Obligation School Building Bonds, Series 2018 (the "Bonds"), dated September 26, 2018, with interest payable on February 1, 2019, and semi-annually thereafter on each August 1 and February 1 until maturity, and being Bonds in registered form maturing on August 1 in the years 2019 through 2033.

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

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

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

2. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of calculating the alternative minimum tax imposed under provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"). Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend

upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

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

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

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

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

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

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

Respectfully submitted,

## APPENDIX E

### CONTINUING DISCLOSURE UNDERTAKING

## **CONTINUING DISCLOSURE UNDERTAKING**

Section 1. Recitals. This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the Roswell Independent School District, Chaves County, New Mexico (the "District"), in connection with the issuance of the Roswell Independent School District, Chaves County, New Mexico, General Obligation School Building Bonds, Series 2018 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District adopted on August 14, 2018 and a Bond Award dated September 13, 2018 (collectively, the "Resolution"). Pursuant to the Resolution, to allow the underwriters of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

### Section 2. Definitions.

(a) "Annual Financial Information" means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB")) and operating data with respect to the District, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type set forth under the captions "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "THE DISTRICT – Enrollment," and "FINANCES OF THE DISTRICT - State Equalization Guarantee, Statement of Revenues & Expenditures – General Fund." Annual Financial Information will include Audited Financial Statements if available.

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

(c) "EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System located on its website at [emma.msrb.org](http://emma.msrb.org).

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

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

(f) "Official Statement" means the Official Statement dated September 13, 2018, delivered in connection with the original issue and sale of the Bonds.

(g) "Report Date" means March 31 of each year, beginning in 2019.

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

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

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

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

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

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the District, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. The District will timely provide to EMMA notice of failure to provide Annual Financial Information or Audited Financial Statements in the event these items are not available by the Report Date.

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

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

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) modifications to rights of security holders, if material;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) failure to provide event filing information as required;

(xiii) tender offer/secondary market purchases;

(xiv) merger, consolidation or acquisition and sale of all or substantially all assets;

(xv) bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;

(xvi) appointment of a successor or additional trustee, or a change of name of a trustee, if material;

(xvii) incurrence of a financial obligation\* of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material<sup>(1)</sup>; and

(xviii) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.<sup>(1)</sup>

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

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



(e) The District, or its designated agent, will provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, to EMMA, notice of any: (i) failure of the District to timely provide the Annual Financial Information as specified in Sections 3(a) and 3(b); (ii) changes in its fiscal year-end; and (iii) amendment of this Undertaking.

Section 4. Method of Transmission. The District, or its designated agent, will employ such methods of electronic or physical information transmission as are requested or recommended from time to time by the Repository, the MSRB or the SEC.

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

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

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

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

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

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

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

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

Section 9. Subject to Appropriation. This Undertaking shall be subject to annual appropriation by the District's Board of Education and shall not be construed as a general obligation of the District.

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

[Signature Page Follows]

Date: September 26, 2018

BOARD OF EDUCATION OF ROSWELL  
INDEPENDENT SCHOOL DISTRICT

By: \_\_\_\_\_  
President

[SEAL]

ATTEST:

\_\_\_\_\_  
Secretary

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