

OFFICIAL STATEMENT DATED JULY 14, 2026

BOOK-ENTRY-ONLY

MOODY'S RATING: "Aa3"
MOODY'S ENHANCED RATING: "Aa2"

The delivery of the Bonds is subject to the opinions of Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, as to the validity of the Bonds and the opinion of McCall, Parkhurst & Horton L.L.P., as federal tax counsel, to the effect that interest on the Bonds is excludable from gross income for purposes of federal income taxation, under existing statutes, regulations, published rulings and court decisions under "TAX MATTERS" herein. Also on the initial date of delivery of the Bonds, Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P. will render their opinions that interest on the Bonds is exempt, under existing law, from state income taxation by the State of New Mexico. See "LEGALITY" and "TAX MATTERS" herein for a discussion of the opinions of Co-Bond Counsel, including a description of certain collateral federal tax consequences.

\$19,260,000
HOBBS MUNICIPAL SCHOOL DISTRICT NO. 16
LEA COUNTY, NEW MEXICO
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2026

Dated: Date of Delivery

Due: September 15, as shown below

The Hobbs Municipal School District No. 16 (the "District") General Obligation School Bonds, Series 2026 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of New Mexico (the "State"), are general obligations of the District and are payable from general (ad valorem) taxes which may be levied against all taxable property within the District without limitation as to rate or amount. The Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York to which principal and interest payments on the Bonds will be made. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any whole multiple thereof. Purchasers of the Bonds will not receive physical delivery of bond certificates. So long as Cede & Co. is the registered owner of the Bonds, reference herein to the holders of the Bonds or registered owner of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, the principal and interest (first payable on March 15, 2027 and thereafter semiannually on each September 15 and March 15, calculated on the basis of a 360-day year consisting of twelve 30-day months.) are payable to Cede & Co., which will in turn remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein. BOKF, NA, Albuquerque, New Mexico, shall be the initial paying agent/registrars for the Bonds.

The Bonds are not subject to optional redemption by the District.

Proceeds of the Bonds will be used for the purpose of erecting, remodeling, making additions to and furnishing school buildings, including teacher housing; purchasing or improving school grounds; purchasing computer software and hardware for student use in public schools; providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act; or any combination of these purposes, and to pay the cost of issuance of the Bonds.

MATURITIES, INTEREST RATES, YIELDS, AND CUSIPS

<u>Year Maturing</u> <u>(September 15)</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP No.</u>
2027	\$7,760,000	5.000%	2.540%	43385QCU9
2028	7,920,000	5.000	2.620	43385QCV7
2029	530,000	5.000	2.730	43385QCW5
2030	555,000	5.000	2.800	43385QCX3
2031	585,000	5.000	2.890	43385QCY1
2032	605,000	5.000	3.000	43385QCZ8
2033	635,000	5.000	3.060	43385QDA2
2034	670,000	5.000	3.170	43385QDB0

The Bonds are offered for delivery when, as, and if issued, subject to the approval of legality by Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, and certain other conditions. The written approval of the New Mexico Attorney General of the Bonds as to form and legality will be supplied. Additionally, certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., as Disclosure Counsel to the District. Certain legal matters in connection with the Bonds will be passed upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Counsel to the Underwriters. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York on or about August 18, 2026 (the "Date of Delivery").

HILLTOP SECURITIES

RBC CAPITAL MARKETS

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

No dealer, salesman or other person has been authorized by the District to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. 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.

The Bonds have not been registered under the Securities Act of 1933, in reliance upon exemptions contained in such Act. The registration and qualification of the Bonds in accordance with applicable provisions of the securities law of the states in which the Bonds have registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the U.S. Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

The District has covenanted to provide such annual financial statements and other information in the manner as may be required by regulations of the Securities and Exchange Commission, including Rule 15c2-12, or other regulatory body.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information. Underwriters' Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., was not requested to and did not take part in the preparation of the Official Statement nor has the firm undertaken to independently verify any of the information contained herein. Underwriters' Counsel 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.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CUSIP is a registered trademark of the American Bankers Association. CUSIP data on the cover page hereof is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services provided by CUSIP Global Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the District, the Municipal Advisor (as defined herein), Co-Bond Counsels nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

The statements contained in this Official Statement, and in any other information provided by the District that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, intentions, or strategies regarding the future. When used in this Official Statement, the words "estimate," "project," "intend," "expect," and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

HOBBS MUNICIPAL SCHOOL DISTRICT NO. 16
LEA COUNTY, NEW MEXICO
1515 E. Sanger
Hobbs, New Mexico 88240
(575) 433-0100

BOARD OF EDUCATION

President	Terry O'Brain
Vice President	Kerry Romine
Secretary	Patricia Jones
Member	Joe Calderon
Member	Pam Randall

ADMINISTRATION

Superintendent	Gene Strickland
Director of Finance	Jay Lashaway

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RBC Capital Markets LLC
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Albuquerque, New Mexico 87110

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SUMMARY INFORMATION

The following information is not a full description of the Bonds and is subject to the more complete information contained elsewhere in this Official Statement, including the appendices.

The Issuer:	The Hobbs Municipal School District No. 16 (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 within its boundaries.
The Bonds:	The Bonds are issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof. The Bonds mature and bear interest as set forth on the cover page hereof and as more fully described in this Official Statement.
Purpose:	Proceeds of the Bonds will be used for the purpose of erecting, remodeling, making additions to and furnishing school buildings, including teacher housing; purchasing or improving school grounds; purchasing computer software and hardware for student use in public schools; providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act; or any combination of these purposes, and to pay the cost of issuance of the Bonds.
Authorization:	The Bonds were authorized at an election held within the District on November 7, 2023, and by a resolution of the Board of Education of the District adopted on June 11, 2026, authorizing the issuance of the Bonds in which pricing of the Bonds was delegated to a "Pricing Officer" and an executed pricing certificate dated July 14, 2026, of such officer (collectively, the "Bond Resolution"), and are issued pursuant to NMSA 1978, Sections 6-14-10.2 and 6-15-1 through 6-15-22, as amended.
Interest Payments:	Interest is payable March 15 and September 15, commencing March 15, 2027, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.
No Optional Redemption:	The Bonds are not subject to optional redemption by the District prior to their stated maturities.
Security:	The Bonds are general obligations of the District and are payable from general (ad valorem) taxes which may be levied against all taxable property within the District without limitation as to rate or amount.
Tax Status:	In the opinion of McCall, Parkhurst & Horton L.L.P., interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions, subject to the matters described under "TAX MATTERS" herein, and is not includable in the alternative minimum taxable income of individuals, except as hereinafter described. Additionally, interest on the Bonds is not includable in gross income for purposes of the State of New Mexico state income tax. See "TAX MATTERS" herein.
Delivery:	Delivery of the Bonds to the Underwriters is expected on or about August 18, 2026.
Paying Agent/ Registrar:	BOKF, NA, Albuquerque, New Mexico.

DEBT SERVICE REQUIREMENTS

<u>Calendar Year</u>	<u>Outstanding Debt Service</u>	<u>The Bonds</u>			<u>Total District Debt Service</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2026	\$14,116,137.08				\$14,116,137.08
2027	8,069,521.50	\$ 7,760,000.00	\$1,035,225.00	\$8,795,225.00	16,864,746.50
2028	7,470,185.50	7,920,000.00	575,000.00	8,495,000.00	15,965,185.50
2029	6,232,688.00	530,000.00	179,000.00	709,000.00	6,941,688.00
2030	5,559,288.00	555,000.00	152,500.00	707,500.00	6,266,788.00
2031	3,883,744.00	585,000.00	124,750.00	709,750.00	4,593,494.00
2032	1,958,250.00	605,000.00	95,500.00	700,500.00	2,658,750.00
2033	-	635,000.00	65,250.00	700,250.00	700,250.00
2034	-	670,000.00	33,500.00	703,500.00	703,500.00
TOTAL	\$47,289,814.08	\$19,260,000.00	\$2,260,725.00	\$21,520,725.00	\$68,810,539.08

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\$19,260,000
HOBBS MUNICIPAL SCHOOL DISTRICT NO. 16
LEA COUNTY, NEW MEXICO
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2026

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, sets forth certain information regarding the issuance by the Hobbs Municipal School District No. 16 (the "District") of its \$19,260,000 General Obligation School Bonds, Series 2026 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District (the "Board") on June 11, 2026, authorizing the issuance of the Bonds in which pricing of the Bonds was delegated to a "Pricing Officer" and an executed pricing certificate dated July 14, 2026, of such officer (collectively, the "Bond Resolution") and NMSA 1978, Sections 6-14-10.2, 6-15-1 through 6-15-22, as amended and supplemented, the Constitution of the State of New Mexico and other laws of the State, and constitute the third and final installment of \$20,000,000 of \$50,000,000 of general obligation bond authorization authorized by the qualified voters of the District at an election held on November 7, 2023. After the issuance of the Bonds, no voted authorization will remain to be issued. Pursuant to NMSA 1978, Section 22-18-9, the written approval of the New Mexico Attorney General will be supplied as to the form and legality of the Bonds. See "LEGALITY" herein.

All financial and other information presented in this Official Statement has been obtained from the District, the Lea County Assessor's office, the Lea County Treasurer's office, the State of New Mexico Public Education Department ("PED") and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and its inclusion is not to be construed as a representation on the part of the Board.

RISK FACTORS

District's Tax Base Concentration in Oil and Gas. As shown in "Table 3 – District Assessed Valuations" and "Table 4 – Classification of Assessed Valuation of the District" herein, a substantial amount of the District's tax base is concentrated in the oil and gas industry and represents approximately 54.69% of the total taxable assessed valuation of the District for the 2025 tax year. Oil and gas prices historically have been subject to fluctuation due to a multitude of factors. As a result, the District's taxable assessed valuation and, therefore, the tax rates required to pay debt service on the District's general obligation bonds, including the Bonds, may be subject to volatility in future years. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the tax values in the District, resulting in less local tax revenue.

Cybersecurity. The District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The District has never had a major cyber breach that resulted in a financial loss. No assurance can be given that the District's current efforts to manage cyber threats and security will, in all cases, be successful. The District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances.

The District relies on other entities and service providers in the course of operating the District, including the County with respect to the levy and collection of ad valorem property taxes, as well as other trustees, fiscal agents and dissemination agents. No assurance can be given that future cyber threats and attacks against other third-party entities or service providers will not impact the District and the owners of the Bonds, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings made pursuant to the District's continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

Potential Impact of Natural Disasters. The District and the State could experience and be impacted by weather events and natural disasters that could be deemed extreme including, without limitation, periods of heat, droughts, floods, mud slides, tornadoes and other wind conditions and wildfires, which could result in negative economic impacts on the State and the District. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in taxable assessed value of the District or an increase in the District's tax rate. As a result, the District could lose tax revenues and many residents, businesses, and governmental operations could be displaced. Additionally, climate change concerns have led, and may continue to lead, to new laws and regulations at the federal and state levels (including but not limited to air, water, hazardous substances and waste regulations) that could have a material adverse effect on the operations and/or financial condition of the District. The occurrence or extent of any future extreme weather events or natural disasters cannot be predicted nor can the economic impacts that the occurrence of any such events may have on the State or the District.

USE OF PROCEEDS

Proceeds of the Bonds will be used for the purpose of erecting, remodeling, making additions to and furnishing school buildings, including teacher housing; purchasing or improving school grounds, purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act; or any combination of these purposes, and to pay the cost of issuance of the Bonds.

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SOURCES AND USES OF FUNDS

Sources:

Principal Amount of the Bonds	\$	19,260,000.00
Original Issue Premium		<u>950,160.75</u>
Total Sources	\$	20,210,160.75

Uses:

Deposit to Construction Fund	\$	20,000,000.00
Cost of Issuance including Underwriters' Discount		<u>210,160.75</u>
Total Uses	\$	20,210,160.75

THE BONDS

General. The Bonds will be issued only as fully registered bonds, without coupons. The Bonds are issued in principal denominations of \$5,000 or any integral multiple thereof within a maturity. The Bonds will mature on the dates, in the principal amounts and accrue interest at the per annum rates set forth on the inside cover page of this Official Statement. Interest is payable on March 15, 2027, and each September 15 and March 15 thereafter (each an "Interest Payment Date") until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Paying Agent/Registrar. BOKF, NA, Albuquerque, New Mexico, will serve as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds. The District reserves the right to appoint a successor Paying Agent/Registrar by (1) filing with the person then performing such function a certified copy of a resolution giving notice of the termination of the Paying Agent/Registrar relationship and appointing a successor, and (2) causing notice to be given to each registered owner of the Bonds. Every Paying Agent/Registrar appointed hereunder shall at all times be a national or state banking institution or a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to execute trust powers, and subject to supervision or examination by a Federal or State authority.

Payment of Principal and Interest; Record Date. Subject to "THE BONDS – Book-Entry-Only System" below, interest on the Bonds is payable by check mailed on or before each Interest Payment Date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the bond registration books (the "Registration Books") kept by the Paying Agent/Registrar on the Record Date (as defined below), except that the interest on any Bond payable at the maturity thereof shall be paid only upon presentation of such Bond at the office of the Paying Agent/Registrar. At the request and expense of a person entitled to a payment of interest on the Bonds, payment of interest may be made by any other method acceptable to the Paying Agent/Registrar. The record date (the "Record Date") for the interest payable on any Interest Payment Date is the last business day of the month next preceding such Interest Payment Date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

If the date for any payment due on any Bond shall be a Saturday, Sunday, a legal holiday or a day on which the Paying Agent/Registrar is located is authorized or required by law or executive order to close, then the date for such payment shall be the next succeeding business day, and payment on such date shall have the same force and effect as if made on the original date payment was due.

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

No Optional Redemption. The Bonds are not subject to optional redemption by the District prior to their stated maturities.

Book-Entry-Only System. Unless otherwise noted, the information contained under the caption "General" below has been provided by The Depository Trust Company ("DTC"). The District makes no representation as to the accuracy or the completeness of such information. The Beneficial Owners of the Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE DISTRICT NOR THE PAYING AGENT/REGISTRAR WILL HAVE RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE BOND RESOLUTION; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF THE BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General. DTC, New York, New York, 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 the Bonds, in the aggregate principal amount of such issue, 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 rating of AA+ from S&P Global Ratings. The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The District undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on that website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Bonds under the DTC system must be made by or through Direct or Indirect 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 the Bonds, except in the event that use of 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 affect 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 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.

While the Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Redemption proceeds, distributions, and dividend 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 agent 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, agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District, the Municipal Advisor nor the Underwriters take any responsibility for the accuracy thereof.

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

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

The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Resolution. Any money so

deposited with the Paying Agent/Registrar or an eligible entity may at the discretion of the District also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Bond Resolution, and all income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Bond Resolution for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Resolution.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible entity for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Bond Resolution shall be made without the consent of the registered owner of each Bond affected thereby.

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

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

SECURITY AND REMEDIES

Generally. The Bonds are general obligations of the District payable from ad valorem taxes which may be levied against all taxable property within the District without limitation of rate or amount. The Bonds are secured by the obligation to levy and collect upon all taxable property within the District a tax levy sufficient, together with other legally available revenues, to meet the debt service on the Bonds. Such annual levy for debt service creates a statutory tax lien which can be enforced personally against the owner of the property and enforced by sale of the property. Neither the State nor any other political subdivision of the State, other than the District, has any responsibility to pay the debt service on the Bonds. The Bonds are further secured by the New Mexico School District Credit Enhancement Program See "NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM" herein.

Various State laws and constitutional provisions apply to the assessment and collection of ad valorem property taxes. There is no assurance that there will not be any change, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District.

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

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

TAX MATTERS

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion rendered by McCall, Parkhurst & Horton L.L.P. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the

taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

New Mexico Income Tax Opinion. On the date of initial delivery of the Bonds, Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P., Austin, Texas, will render their opinions that interest on the Bonds will be excluded from net income for purposes of New Mexico state income tax. Cuddy & McCarthy, LLP expresses no opinion as to any other federal, state or local tax consequences, except as described in this subsection. See Appendix B – "Forms of Opinions of Co-Bond Counsel."

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

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

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

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the code to calculate alternative minimum tax imposed by section 55 of the Code.

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

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

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

Information Reporting and Backup Withholding. Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of non- U.S. holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation. Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

LEGALITY

The delivery of the Bonds is subject to the approval of the Attorney General of New Mexico. Additionally, the firms of Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P., Austin, Texas, have been retained as Co-Bond Counsel to the District ("Co-Bond Counsel"). Co-Bond Counsel will provide unqualified opinions that the Bonds are legally issued under New Mexico law and that the interest income from the Bonds is exempt from Federal and State of New Mexico income taxes. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., as Disclosure Counsel to the District ("Disclosure Counsel"). In connection with the transactions described in this Official Statement, Co-Bond Counsel and Disclosure Counsel only represent the District. The legal fees to be paid to Co-Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are contingent in part upon the sale and delivery of the Bonds.

Certain legal matters will be passed upon for the Underwriters by Modrall, Sperling, Roehl, Harris & Sisk, P.A. The fee to be paid to Counsel to the Underwriters is contingent upon the sale and delivery of the Bonds.

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

REGISTRATION

The Bonds have not been registered under the Federal Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon the exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of the Bonds; nor have the Bonds been qualified under the Securities Act of New Mexico. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LITIGATION

The Bonds. There is not now pending or threatened, to the best of the knowledge of the District, any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued. Neither the creation, organization or existence, nor the title of a quorum of the present Board members or other officers of the District to their respective offices, is being questioned. At the time of delivery of the Bonds, the District will deliver a no-litigation certificate to that effect.

Litigation Relating to State Education System. The State's process to fund public education on a uniform and adequate basis has been challenged in various courts, including the First and Eleventh Judicial District Courts of New Mexico. In 2014, two different plaintiff groups filed lawsuits in the First Judicial District Court in Santa Fe County, each of which challenged the sufficiency of school funding and the school funding formula, specifically as applied and related to the needs of at-risk students. The two lawsuits were consolidated (Martinez, et al. v. State of New Mexico consolidated with Yazzie, et al. v. State of New Mexico, No. D-101- CV-2014-00793) and proceeded to a bench trial in the summer of 2017. On February 14, 2019, the Court entered a Final Judgment and Order. The Court concluded that the State violated the Education Clause, the Equal Protection Clause, and the Due Process Clause of the State Constitution. The Court required the State to take necessary steps to ensure schools have resources, including funding and accountability measures, to give at-risk students an opportunity to obtain a sufficient education; the State did not appeal. In response, during the 2019 Regular Session, the State Legislature increased public school funding by approximately \$400 million. The Court has not indicated whether this will be sufficient to satisfy the requirements of the decision of the Court. In response to a motion filed by Plaintiffs, the Court ruled in May 2025 that the State has not complied with the District Court's Final Judgment and Order and required submission of a Comprehensive Remedial Plan by November 2025. Among other areas, the Comprehensive Remedial Plan outlines compliance initiatives through a review of the funding systems and resource allocation practices. The Plaintiffs filed Objections and Opposition to the Comprehensive Remedial Plan and a Motion for additional relief in February 2026. A hearing on Plaintiffs Joint Motion for Further Relief is currently set for September 2026. The Court decision is expected to continue to affect future funding for all school age students. It is premature to assess what ongoing effect these lawsuits may have on the State's school financing system or the District. The State Legislature has responded to the lawsuit by increasing funding for education in each fiscal year since the decision was rendered.

In 1998, the Zuni Public School District filed a lawsuit in the Eleventh Judicial District Court for the State of New Mexico in McKinley County (Zuni Public School District, et al., v. State of New Mexico, et al., No. D-1113-CV-9800014) seeking a declaratory judgment that the State's method of funding of capital improvements for public schools violated the State Constitution's requirement to provide for a uniform and adequate system of funding capital improvements, specifically as applied and related to the needs of the students of Gallup-McKinley. On December 29, 2020, the trial court filed a decision and order ruling in favor of the plaintiffs. The decision was appealed. On August 1, 2023, the State submitted a Notice of Supplemental Authority (“NSA”) pointing out the enactment of SB 131 effectively amends the two laws—the PSCOA and PSCIA—that were held unconstitutional by the district court, which were the subject of the appeal. The State argued in its NSA that “the changes to the capital outlay funding system render the appeal moot or warrant remand.” On August 7, 2023, the Court of Appeals certified the case to the New Mexico Supreme Court. By Dispositional Order of Remand filed December 2, 2024, the New Mexico Supreme Court remanded to the district court for further proceedings regarding the litigation. The case was dismissed on February 17, 2026, for lack of prosecution; Plaintiff’s Motion to Reinstate the case is pending.

As these educational funding litigation cases go through appeals, post-trial procedures and any remedial measures, the outcomes of such litigation may impact the State's education funding processes and could impact the District; however, the extent of such impact is currently unknown.

CONTINUING DISCLOSURE

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

Annual Reports. The District will provide annually certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the Tables 1 through 15 and "Appendix C." The District will update and provide this information by March 31 of each year beginning in 2027.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with accounting principles as in the District's annual financial statements attached hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices. The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

For these purposes, the District intends the words used in clauses (15) and (16) in the preceding paragraph, including the term "financial obligation," to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

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

The address of the MSRB is 1300 I Street NW, Suite 100, Washington, DC 20005 and its telephone number is (202) 898-1500.

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

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

Compliance with Prior Undertakings. The unaudited financial information for fiscal year ending June 30, 2019, was timely filed as required, however, two CUSIP numbers for the General Obligation School Bonds, Series 2010 were inadvertently left out. The unaudited financial information for fiscal year ending June 30, 2019, was subsequently filed on September 20, 2021, to link the two missing CUSIP numbers. In addition, a failure to file notice was filed September 20, 2021. The District also notes that on June 1, 2022, \$9,900,000 General Obligation School Bonds, Series 2022 were privately sold to a private bank. The notice of the incurrence of this financial obligation was not filed as required pursuant to the amendments of Rule 15c2-12. Notice of such financial obligation was subsequently filed on EMMA on March 15, 2023, along with a failure to file notice. With the exception of the aforementioned, during the past five years, the District has been in material compliance with its continuing disclosure agreements made in accordance with the Rule.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has rated the Bonds "Aa2" based on the State of New Mexico's guarantee under the New Mexico School District Enhancement Program. See "NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM" herein. Moody's also assigned an underlying rating of "Aa3" to the Bonds. The ratings reflect only the view of Moody's and an explanation of the significance of such ratings may be obtained only from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's if, in its judgment, circumstances warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM

The New Mexico Legislature amended NMSA 1978, Section 22-18-13 in 2007, which became effective on March 30, 2007, and is applicable to general obligation bonds issued after such date that have qualified for the program. Section 22-18-13 provides that if, for a qualified bond issue, a school district's paying agent for such bonds notifies the New Mexico Department of Finance and Administration (the "DFA") on the business day immediately prior to the payment date for such bonds that a bond payment has not been received by the school district, the DFA shall forward the amount necessary to make the payment due on the bonds to the paying agent. Such amount will be withheld by the DFA from the affected school district's monthly State Equalization Guarantee distribution. See "THE DISTRICT – Finances of the Educational Program" and "– State Equalization Guarantee Program." If the amount of the next succeeding distribution is insufficient to pay the amount due, the DFA shall withhold amounts from each succeeding payment of the State Equalization Guarantee distribution, including payments to be made in succeeding fiscal years, but no more than 12 consecutive months of payments, until the total amount of principal and interest is withheld. Withholding of the State Equalization Guarantee distribution may affect the affected school district's ability to continue to operate.

Section 22-18-13 requires filing the bond resolution, bond offering documents and contact information for the relevant paying agent with the Department of Finance and Administration. Failure to file such information will not invalidate the obligation of the State Treasurer to pay the bond payment and withhold the State Equalization Guaranteed distribution.

The District will qualify the Bonds for the New Mexico School District Enhancement Program.

Moody's has assigned an "Aa2" rating to the New Mexico School District Enhancement Program. 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.

UNDERWRITING

Hilltop Securities Inc. and RBC Capital Markets, LLC (the "Underwriters") have agreed, subject to certain conditions, to purchase the Bonds from the District at a price equal to the initial offering prices as shown on the cover page of this Official Statement, less an underwriting discount of \$64,679.03. The Underwriters' obligation to purchase the Bonds is subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any of the Bonds are purchased. The District has no control over the price at which the Bonds are subsequently sold and the initial yields at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Underwriters.

The Underwriters have provided the following information for inclusion in this Official Statement. The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective

affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer.

RBC Capital Markets, LLC, as an Underwriter has entered into a distribution arrangement with its affiliate RBC Securities, Inc. (RBC Securities) (formerly known as City National Securities, Inc). As part of this arrangement, the Underwriter may distribute municipal securities to investors through the financial advisor network of RBC Securities. As part of this arrangement, the Underwriter may compensate RBC Securities for its selling efforts with respect to the Bonds.

MUNICIPAL ADVISOR

Stifel, Nicolaus & Company, Inc. has been retained as Municipal Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Municipal Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Municipal Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Municipal Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Municipal Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds.

The Municipal Advisor has provided the following sentence for inclusion in this Official Statement: The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

Table 1 – DISTRICT BORROWING CAPACITY

Debt Limitation (6% x \$3,266,917,388 ⁽¹⁾)	\$ 196,015,043
Less: Outstanding Direct General Obligation Debt ⁽²⁾	(42,210,000)
Less: The Bonds	<u>(19,260,000)</u>
Unused Borrowing Capacity	\$ 134,545,043

⁽¹⁾ 2025 Assessed Valuation. See "ANALYSIS OF ASSESSED VALUATION IN THE DISTRICT" herein.

⁽²⁾ As of the date of delivery of the Bonds.

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Table 2 – DISTRICT TAX AND DEBT FINANCIAL INFORMATION

Actual and Assessed Valuations

2025 Assessed Valuation	\$3,266,917,388 ⁽¹⁾
2025 Estimated Actual Valuation	\$9,933,692,157 ⁽²⁾
Outstanding Direct General Obligation Debt ⁽³⁾	\$42,210,000
Plus: The Bonds	<u>\$19,260,000</u>
Total Direct General Obligation Debt ⁽⁴⁾	\$61,470,000

Overlapping General Obligation Bonded Indebtedness

<u>Taxing Body</u>	<u>2025 Assessed Valuation</u>	<u>Bonded Debt</u>	<u>Percentage Applicable</u>	<u>Net Amount</u>
State of New Mexico	\$113,691,900,519 ⁽⁵⁾	\$416,585,000	2.87%	\$11,970,499
Lea County	22,898,469,312 ⁽⁵⁾	-	14.27%	-
City of Hobbs	976,019,432 ⁽⁵⁾	-	100.00%	-
New Mexico Junior College	22,898,469,132 ⁽⁵⁾	-	14.27%	-
The District	3,266,917,388 ⁽⁵⁾	61,470,000 ⁽⁴⁾	100.00%	<u>61,470,000⁽⁴⁾</u>
Total Direct and Overlapping Debt				\$73,440,499

Direct and Overlapping General Obligation Bond Debt Ratios

Direct General Obligation Debt to 2025 Assessed Valuation ⁽⁵⁾	1.88%
Direct and Overlapping General Obligation Debt to 2025 Assessed Valuation ⁽⁵⁾	2.25%
Direct General Obligation Debt to 2025 Estimated Actual Valuation ⁽⁵⁾	0.62%
Direct and Overlapping General Obligation Debt to 2025 Estimated Actual Valuation ⁽⁵⁾	0.74%
Per Capita Direct General Obligation Debt ⁽⁵⁾⁽⁶⁾	\$ 1,220.39
Per Capita Direct and Overlapping Debt ⁽⁵⁾⁽⁶⁾	\$ 1,458.05
Per Capita 2025 Assessed Valuation ⁽⁶⁾	\$ 64,859.68
Per Capita 2025 Estimated Actual Valuation ⁽⁶⁾	\$197,218.37

⁽¹⁾ New Mexico assessed values represent 33-1/3% (the maximum assessment ratio permitted by the New Mexico Constitution) of the actual property value after deduction of certain exemptions. Property tax levies are based upon the certified assessed valuation.

⁽²⁾ Estimated Actual Valuation is calculated by adding exemptions to the assessed value and multiplying by three.

⁽³⁾ As of the date of delivery of the Bonds.

⁽⁴⁾ As of the date of delivery of the Bonds and includes the Bonds.

⁽⁵⁾ 2025 certified assessed valuations.

⁽⁶⁾ District population is 50,369 as estimated by the District.

DEBT LIMITATIONS

The Constitution and laws of the State limit the powers of a school district to incur general obligation debt extending beyond the fiscal year. A district must submit any proposition to create such debt to a vote of the qualified electors of the district, and a majority of those voting must vote in favor of creating the debt. Finally, the total indebtedness of a district may not exceed six percent of the assessed valuation of the taxable property within the district as shown by the last preceding general assessment. The issuance of the Bonds is within this limitation. Despite these general limitations, school districts may acquire education technology equipment on a lease-purchase basis without voter approval, provided that the lease-purchase does not exceed five years and the total indebtedness does not exceed the six percent limitation. A district may refund outstanding general obligation bonds without voter approval even if the resulting total indebtedness will exceed six percent of its assessed valuation.

ANALYSIS OF ASSESSED VALUATION IN DISTRICT

Assessed Valuation of property within the District is calculated as follows: of the total estimated actual valuation of all taxable property in the District, 33-1/3% is legally subject to ad valorem taxes. After deduction of certain personal exemptions, the 2025 assessed valuation of the District is \$3,266,917,388, an increase of \$572,583,284 or approximately 21.25% from the 2024 assessed valuation. This rise is a result of the increased value of oil and natural gas within the District. See the discussion of concentration of tax values within the District in the oil and gas industry below.

The actual value of personal property within the District is determined by the Lea County Assessor and is divided into Residential and Non-Residential categories. The actual value of personal property within the District is determined by the Lea County Assessor. The actual value of certain corporate property within the District 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 is determined by the Oil and Gas Accounting Commission. Oil and gas totals are certified in March of the year following production.

Table 3 – District Assessed Valuations

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

<u>Tax Year</u>	<u>Residential</u>	<u>Non-Residential</u>	<u>Oil and Gas</u>	<u>Total</u>
2025	\$692,057,770	\$788,070,840	\$1,786,788,778	\$3,266,917,388
2024	651,371,457	761,681,326	1,281,281,321	2,694,334,104
2023	612,157,805	701,696,501	1,269,093,124	2,582,947,430
2022	564,220,102	654,264,870	876,009,749	2,094,494,721
2021	530,082,980	602,087,289	431,366,694	1,563,536,963

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

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Table 4 – Classification of Assessed Valuation of the District

Assessments	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Value of Land	\$ 111,635,779	\$ 120,424,756	\$ 129,272,322	\$ 139,935,682	\$ 146,362,671
Improvements	648,197,118	685,099,297	731,009,820	800,870,217	840,143,442
Personal Property	73,338,061	62,912,312	76,112,118	69,103,452	71,193,579
Mobile Homes	28,833,994	29,374,109	30,944,198	31,455,690	34,139,128
Livestock	<u>2,658,136</u>	<u>3,025,764</u>	<u>3,684,504</u>	<u>4,853,486</u>	<u>8,387,539</u>
Total Valuation	\$ 864,663,088	\$ 900,836,238	\$ 971,022,962	\$1,046,218,527	\$1,100,226,359
Less Exemptions					
Total Exemptions	\$ 40,314,411	\$ 40,721,280	\$ 39,290,997	\$39,498,816	\$44,313,331
Assessors Net Valuation					
	\$ 824,348,677	\$ 860,114,958	\$ 931,731,965	\$1,006,719,711	\$1,055,913,028
Central Assessed	307,821,592	358,370,014	382,122,341	406,333,072	424,215,582
Oil and Gas	<u>431,366,694</u>	<u>876,009,749</u>	<u>1,269,093,124</u>	<u>1,281,281,321</u>	<u>1,786,788,778</u>
Total Assessed Valuation	<u>\$1,563,536,963</u>	<u>\$2,094,494,721</u>	<u>\$2,582,947,430</u>	<u>\$2,694,334,104</u>	<u>\$3,266,917,388</u>

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

ECONOMIC CONCENTRATION NOTE: As shown above, a substantial amount of the District's tax base is concentrated in the oil and gas industry and represents approximately 54.69% of the total taxable assessed valuation of the District for the 2025 tax year. Oil and gas prices historically have been subject to fluctuation due to a multitude of factors. As a result, the District's taxable assessed valuation and, therefore, the tax rates required to pay debt service on the District's general obligation bonds, including the Bonds, may be subject to volatility in future years. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the tax values in the District, resulting in less local tax revenue.

Reassessment

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

Table 5 – Comparison of Assessed Value

	Lea County	District's
	<u>Assessed Value</u>	<u>Assessed Value</u>
2025	\$22,898,469,312	\$3,266,917,388
2024	21,940,857,368	2,694,334,104
2023	24,683,139,485	2,582,947,430
2022	15,194,789,887	2,094,494,721
2021	7,339,034,820	1,563,536,963

Source: Lea County Assessor's Office.

Table 6 – Assessed Valuation of the Top Ten Centrally Assessed Taxpayers in the District

	2025 <u>Assessed Valuation</u>	% of Total 2025 <u>Assessed Valuation</u>
Southwest Public Service Company	\$116,741,767	3.57%
3Bear Midstream	62,430,986	1.91
Alpha Crude Holdings LLC	30,356,380	0.93
Lea Power Partners	29,297,896	0.90
Plains Pipeline LP	24,727,331	0.76
Estis Compression LLC	15,487,538	0.47
DCP Midstream LP	15,281,823	0.47
Wackenhut Corp	14,326,034	0.44
GLP Capital LP	11,525,748	0.35
Enterprise Crude Pipeline LLC	<u>10,089,915</u>	<u>0.31</u>
Total	\$330,265,518	10.11%

Source: Lea County Assessor's Office.

TAX RATES

Yield Control. NMSA 1978, Section 7-37-7.1 limits the allowable increase in property taxes from the preceding year. Specifically, no rate shall be set or assessment imposed which will produce current tax revenues in excess of the prior year's tax revenues, plus a percent that is determined by a growth control factor. The growth control factor is the sum of (1) the growth in the assessed valuation due to net new additions to the property tax rolls, expressed as a percent of the prior year's assessed ("G"), and (2) the percentage change, not in excess of 5%, in the annual business indicator index between the prior calendar year and the year next preceding the prior calendar year ("I"). The resulting yield control equation is:

Current tax revenues = prior tax revenues X (G + I)

Where:

G is never less than 100%, and

I is never less than 0% nor more than 5%.

The annual business indicator index is defined as the "annual implicit price deflator index for state and local government purchases of goods and services, as published in the United States Department of Commerce monthly publication entitled 'Summary of Current Business' or any successor publication for the calendar year." The yield control formula applies to both residential and non-residential property, but the calculations for each property class are made separately. In addition, the yield control formula applies to any authorized operating levy but not to any debt service levy. To the extent that the reassessment program, as discussed under "Reassessment" above, increased property values, the yield control formula operated to limit the growth in tax revenues resulting solely from reassessment, while not directly limiting the increase in tax revenues due to net new additions to the property tax rolls.

Tax Limits. In 2024, New Mexico voters approved two amendments to New Mexico's Constitution that impact property tax revenues. Amendment 1 amends Article 8, Section 15 of the Constitution to extend the property tax exemption, previously only allowed for one hundred percent disabled veterans and their widow and widowers, to veterans with less than one hundred percent disability and their widows and widowers, based on the veteran's disability rating. Amendment 2 amends Article 8, Section 5 of the Constitution to increase the property tax exemption for honorably discharged members of the armed forces and their widows and widowers. This amendment increases the property tax exemption from the prior amount of \$4,000 to \$10,000 per year.

In the 2025 regular legislative session, the New Mexico Legislature adopted, and on March 20, 2025 the Governor signed, House Bill 47 implementing the expanded property tax exemptions created by these amendments. House Bill 47 contained an emergency clause making it effective upon the Governor's signature. The legislation made the \$10,000 veteran exemption applicable for the 2025 property tax year and provided for annual inflation adjustments based on the consumer price index beginning with the 2026 property tax year. The disabled veterans' exemption becomes applicable for the 2026 property tax year. Veterans eligible for both exemptions may be able to receive both exemptions applicable to a property in the order and manner set forth in the legislation.

The economic impact of the two Constitutional Amendments on the District cannot be predicted at this time.

Article VIII, Section 2 of the New Mexico Constitution provides that the total ad valorem tax levied by all overlapping units on taxable property within the boundaries of the District (*i.e.*, the State of New Mexico and Lea County) shall not exceed the limitation of \$20.00 per \$1,000 of assessed valuation unless a majority of the voting qualified electors of the taxing district approve and authorize the additional levy. Such limitation does not apply in the case of special levies on special classes of property and levies for public debt, such as the levies required to pay this issue. The following tables summarize the tax rates in the District:

Table 7 – Tax Rate of the District

Tax Rate Per \$1,000 of Assessed Valuation
Lea County

<u>Tax Year</u>	<u>Assessed Valuation</u>		<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Capital Improvement Levy^(a)</u>	<u>Total</u>
2025	\$3,266,917,388	Residential	\$0.251	\$5.482	\$5.787	\$11.520
		Non-Residential	0.500	5.482	6.000	11.982
2024	2,694,334,104	Residential	0.256	5.491	5.885	11.632
		Non-Residential	0.500	5.491	6.000	11.991
2023	2,582,947,430	Residential	0.260	5.494	5.988	11.742
		Non-Residential	0.500	5.494	6.000	11.994
2022	2,094,494,721	Residential	0.261	5.094	6.000	11.355
		Non-Residential	0.500	5.094	6.000	11.594
2021	1,563,536,963	Residential	0.256	5.108	6.000	11.364
		Non-Residential	0.500	5.108	6.000	11.608

^(a) Includes the District's HB-33 and SB-9 tax rates.

Source: New Mexico Department of Finance and Administration.

Table 8 – Tax Rates in the District – Total**Within 20 Mill Limit for General Purposes**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
State of New Mexico	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000	\$ 0.000
Lea County	6.807	6.919	7.052	7.055	7.011
City of Hobbs	3.834	3.894	3.957	3.986	3.973
New Mexico Junior College	3.468	3.525	3.593	3.595	3.573
The District	<u>0.251</u>	<u>0.256</u>	<u>0.260</u>	<u>0.261</u>	<u>0.256</u>
Total	\$14.360	\$14.594	\$14.862	\$14.897	\$14.813

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
Lea County	0.000	0.000	0.000	0.000	0.000
City of Hobbs	0.000	0.000	0.000	0.000	0.000
New Mexico Junior College	0.000	0.000	0.000	0.000	0.000
The District	<u>11.269</u>	<u>11.376</u>	<u>11.482</u>	<u>11.094</u>	<u>11.108</u>
Total	\$12.629	\$12.736	\$12.842	\$12.454	\$12.468

Total Levy

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360
Lea County	6.807	6.919	7.052	7.055	7.011
City of Hobbs	3.834	3.894	3.957	3.986	3.973
New Mexico Junior College	3.468	3.525	3.593	3.595	3.573
The District	<u>11.520</u>	<u>11.632</u>	<u>11.742</u>	<u>11.355</u>	<u>11.364</u>
Total Residential	\$26.989	\$27.330	\$27.704	\$27.351	\$27.281
Total Non-Residential	\$34.497	\$34.506	\$34.509	\$34.109	\$34.123

Source: New Mexico Department of Finance and Administration.

Method of Tax Collection. Current taxes for all units of government are collected by the Lea County Treasurer and distributed monthly to the various political subdivisions to which they are due.

Property taxes are payable to the Lea County Treasurer in two equal annual installments. The first annual installment is due on November 10 and becomes delinquent on December 10. The second annual installment is due on April 10 and becomes delinquent on May 10. Pursuant to NMSA 1978, Section 7-38-46, property taxes are delinquent 30 days after the date on which they are due. It is noted that in the 2019 regular session, the Legislature enacted Section 7-38-36.2, a temporary provision for tax years 2019 and 2021, which extended the due date from November 10 to December 6 in 2019 and 2021, respectively, and the delinquency date for the first installment from December 10 to January 9 in 2020 and 2022, respectively. The transitional provisions enacted in 2019 have now expired.

Tax Collection on Oil and Gas Production. The producer of oil and gas products is required by law to report the value of its 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 0.09 (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.

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

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

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

Remedies Available for Non-Payment of Taxes. Pursuant to NMSA 1978, Section 7-38-47, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes. Pursuant to NMSA 1978, Section 7-38-48, taxes on real property are a lien against the real property. Pursuant to NMSA 1978, Section 7-38-65, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

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

**Table 9 – Tax Collections on Assessed Property in Lea County
(as of June 30, 2025 except Tax Year 2025)**

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Taxes Collected to Date*</u>	<u>Percentage Collected</u>
2025	25/26	\$112,673,607	\$109,223,320	96.94%
2024	24/25	100,746,441	100,128,541	99.39%
2023	23/24	93,049,185	92,917,110	99.86%
2022	22/23	88,974,998	88,944,123	99.97%
2021	21/22	84,570,959	84,549,742	99.97%
2020	20/21	78,795,204	78,768,463	99.97%
2019	19/20	68,829,390	68,814,846	99.98%
2018	18/19	59,164,666	59,147,279	99.97%
2017	17/18	55,776,530	55,758,986	99.97%
2016	16/17	53,555,272	53,553,544	100.00%

*As of May 31, 2026.

Source: Lea County Treasurer's Office.

THE DISTRICT

General. The District is a political subdivision of the State organized for the purpose of operating and maintaining an educational program for school-age children residing within its boundaries. The District is in Lea County, New Mexico, in the southeast part of New Mexico, 90 miles northwest of Odessa, Texas and 240 miles east of El Paso, Texas. The District is headquartered in the City of Hobbs, New Mexico. The current estimated population served by the District is 50,369.

Board of Education. The Board, subject to regulations and the authority of the Secretary of Public Education of the State of New Mexico and PED, supervises and controls all public schools and property within the District. The Board develops educational policies for the District, employs a superintendent of schools, fixes the salary of the superintendent of schools, has the capacity to sue and be sued, contracts, leases, purchases and sells for the District, acquires and disposes of property, and adopts regulations pertaining to the administration of all powers or duties of the Board. Members serve without compensation for four-year terms of office in non-partisan elections held every two years on the first Tuesday after the first Monday in November of odd numbered years. The current members are:

President	Terry O'Brain
Vice President	Kerry Romine
Secretary	Patricia Jones
Member	Joe Calderon
Member	Pam Randall

Administrative Staff. The Superintendent of Schools ("Superintendent") is selected by the Board and is under contract with the District. All other employees are selected by the Superintendent. The current Superintendent is Gene Strickland.

Enrollment History

The District operates thirteen elementary schools, three middle schools, one freshman high school, and one high school. An enrollment history for the District follows:

Table 10 – Enrollment History

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
Elementary	4,654	4,592	4,761	4,855	4,817
Middle	2,432	2,311	2,289	2,225	2,236
High	<u>2,751</u>	<u>2,929</u>	<u>2,988</u>	<u>3,097</u>	<u>3,066</u>
Total	9,837	9,832	10,038	10,177	10,119

Source: New Mexico Public Education Department, 40-Day Count.

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The District's outstanding unlimited tax, general obligation debt is set forth in the following table.

Table 11 – Outstanding District General Obligation Debt⁽¹⁾

<u>Series</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
2014A	\$ 9,000,000	09/15/2026	\$ 480,000
2016	7,615,000	09/15/2028	6,325,000
2021	10,615,000	09/15/2026	2,855,000
2022 ⁽³⁾	9,900,000	09/15/2031	8,750,000
2023	7,615,000	09/15/2026	195,000
2024	9,325,000	09/15/2028	4,270,000
2025	19,335,000	09/15/2032	19,335,000
2026	19,260,000 ⁽²⁾	09/15/2034 ⁽²⁾	19,260,000 ⁽²⁾
Total			\$61,470,000

⁽¹⁾ As of the date of delivery of the Bonds, other than the Bonds.

⁽²⁾ The Bonds.

⁽³⁾ Private placement with a private bank.

Authorized but Unissued General Obligation Bonds. The District held a successful general obligation bond election on November 7, 2023, authorizing \$50,000,000 of general obligation bonds. After issuance of the Bonds, there will be no authorized but unissued voted authorization for bonds remaining from such election.

Employees and Retirement Plan. The District employs approximately 58 administrators, 645 teachers and other professional instructional personnel including special education support personnel, 293 instructional assistants, and 395 administrative, clerical, maintenance and other personnel.

ERB Pension Plan

Employees of the District participate in a public employee retirement system authorized under the Educational Retirement Act ("ERA"). The Educational Retirement Board ("ERB"), pursuant to NMSA 1978, Section 22-11-6, is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan (the "Plan"). The Plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to Plan members and beneficiaries. The ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information of the Plan. That report is available on the ERB's website at www.nmerb.org.

Funding Policy

Employee Contributions. Plan members whose annual salary is \$24,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$24,000 are required to contribute 10.7% of their gross salary.

Employer Contributions. The District contributed 18.15% of gross covered salary in fiscal year 2025. The contribution requirements of Plan members and the District are established in State statute under NMSA 1978, Chapter 22, Article 11. The requirements may be amended by acts of the legislature. For the fiscal years ended June 30, 2025 and 2024, the District paid employee and employer contributions of \$15,257,973 and \$14,536,962, respectively, which equal the amount of the required contributions for each fiscal year.

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

House Bill 360, adopted by the New Mexico Legislature in 2019, amended the ERA to increase employer contributions to the educational retirement fund; increase the salary level employees would be required to reach before paying a higher contribution rate; increase the age or years of service requirements for new members to be eligible for retirement and reduce retirement benefits for new employees who work for less than 30 years; make changes to the return-to-work program; require most retirees from the New Mexico Public Employees Retirement Association to make contributions to the educational retirement fund if they become employed by an ERA-covered employer; change the salary calculation for determining retirement benefits for employees that receive a salary increase of more than 30 percent, and require on July 1, 2020, substitute teachers to become members of the ERB if they are employed at least one quarter time (0.25 FTE). The law amends ERA to provide for employer contribution of 14.15 percent of annual salary, rather than 14.4 percent of annual salary, eliminate contribution increases in fiscal years 2021 and 2022, require that a retired employee working 0.25 FTE or less make nonrefundable contributions to the educational retirement fund.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the District reported a liability of \$165,822,444 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2024, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan to the projected contributions of all participating education institutions at June 30, 2023 actuarially determined. At June 30, 2024, the District's proportion was 1.88692%, which was a decrease of 0.01911% from its proportion measured as of June 30, 2023. For the year ended June 30, 2025, the District recognized pension income of \$8,199,406.

For additional information, see Note 4 to the District's audited financial statements for the fiscal year ended June 30, 2025, in Appendix C to this Official Statement.

Post-Employment Benefits. The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority ("RHCA"). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (NMSA 1978, Chapter 10, Article 7C). The Board is responsible 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 made contributions as a participant in the plan; (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.

Funding Policy

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

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

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by NMSA 1978, Section 10-7C-15. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the District were \$1,601,164 for the year ended June 30, 2024.

For additional information, see Note 4 to the District's audited financial statements for the fiscal year ended June 30, 2025, in Appendix C to this Official Statement.

Investments. See Note 3 of the District's June 30, 2025 Audited Financial Statements attached hereto as Appendix C for information regarding the District's investments and depository accounts. The District only invests in investments permitted under State law, including NMSA 1978 Section 6-10-10.

Insurance. The District is a member of the New Mexico Public School Insurance Authority (the "Insurance Authority") which was established to provide a comprehensive insurance program for school districts, board members and retirees, and public school employees and retirees within the State. The Insurance Authority provides group health insurance, workman's compensation, property and casualty insurance, general automobile and fire insurance and general liability insurance for the District, its property, its board members and employees. For additional information see Note 4 to the District's audited financial statements for the fiscal year ended June 30, 2025, in Appendix C to this Official Statement.

Finances of the Educational Program. The basic format for the financial operation of the District is provided by the PED through the School Budget Planning Division which is directed by State law to supervise and control the preparation of all budgets of all school districts. The District receives revenue from a variety of local, state and federal sources, the most important of which are described below. New Mexico's public school finance laws are subject to review and examination through both the judicial and legislative processes. As a result, the District cannot anticipate with certainty all of the factors that may

influence the financing of its future activities. There is no assurance that there will not be any change in, interpretation of or additions to the applicable laws, provisions and regulations that would have a material effect, directly or indirectly, on the affairs of the District.

The method of distribution of State funds to local school districts guarantees that each school district will receive 100% of the calculated program cost. Program cost is funded by the State of New Mexico on a partnership basis with local and federal governments. All sums distributed by the State to the District are appropriated from the State's general fund. The State allocation to each district is determined by deducting from each district's program cost 95% of designated local revenues and 95% of designated federal revenues. The remainder is "State Equalization Guarantee," sometimes herein referred to as "SEG," to insure that each district receives 100% of its program cost. In addition, the Legislature makes separate 100% appropriations for public school transportation and school textbooks on a dollar per student value. The State Equalization Guarantee does not apply to debt service funds.

Prior to June 1 of each year, the Board approves the proposed operating budget of the fiscal year commencing the following July 1. The operating budget includes expenditures and the means of financing them. Budgets for all funds are approved by the PED, School Budgeting Division.

All budget increases, decreases and transfers must be approved by the Public School Finance Division. Expenditures may not be made out of a particular fund in excess of those budgeted.

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

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

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

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

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

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

In addition, the equalization funding for a district is based on previous year's enrollment rather than current year enrollment.

SEG payments received by the District in fiscal year June 30, 2024 and June 30, 2025 were \$114,077,904 and \$128,816,132, respectively.

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 fiscal year ending June 30, 2025, the District received \$3,657,471 for transportation purposes.

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, of 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 ending June 30, 2025, the District's General Fund received \$3,079,199 from local sources for operational purposes.

State Revenues - The District's largest source of annual revenue is derived from the State Equalization Guarantee payments described above. During fiscal year ending June 30, 2025, the District's General Fund received \$132,564,528 from State sources. Such payments represented approximately 97.73% of actual fiscal year ending June 30, 2025 General Fund revenues.

Other Funds of the District. Other Funds maintained by the District in addition to the General Fund include:

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. A list of specific special revenue funds is contained in the June 30, 2025 audited financial statements in Appendix C to this Official Statement.

Debt Service Funds - 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.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Projects Funds, which consist of the Local Capital Improvements SB-9 fund and the HB-33 fund, accounts for the resources and major costs of capital improvements in the District, such as erecting, remodeling, making additions to and furnishing school buildings and purchasing and improving school grounds. Revenue is provided through property taxes levied by the District and subject to periodic reauthorization by the voters in the District.

Fiduciary Funds - Trust & Agency - Trust and agency funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Non-expendable trust funds represent funds whose earnings may be expended. Non-expendable trusts are accounted for in essentially the same manner as governmental funds.

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Table 12 – District Statement of Net Position

The following is a history of the District's Statement of Net Position. The complete audit report for the fiscal years ending June 30, 2021 through 2025 can be downloaded from the New Mexico State Auditor's website using the following link: <http://www.saonm.org/audit-report-search0>.

	30-Jun-21	30-Jun-22	30-Jun-23	30-Jun-24	30-Jun-25
	Governmental Activities	Governmental Activities	Governmental Activities	Governmental Activities	Governmental Activities
Assets					
Cash and Cash Equivalents	\$ 27,633,845	\$ 44,184,681	\$ 27,316,572	\$ 52,237,265	\$ 49,044,223
Investments	11,826,673	10,832,910	14,245,851	10,048,713	18,785,607
Receivables					
Taxes	1,502,812	4,107,148	3,611,501	4,155,383	3,991,844
Due from Other Governments	4,371,945	8,773,390	18,113,529	2,497,291	2,707,560
Undefined	45,557	28,870	824,035	19,685	10,536
Inventory	475,668	539,115	487,873	766,935	858,046
Total Current Assets	<u>\$ 45,874,530</u>	<u>\$ 68,466,114</u>	<u>\$ 64,599,361</u>	<u>\$ 69,725,272</u>	<u>\$ 75,397,816</u>
Noncurrent Assets					
Restricted Assets	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Assets	267,058,620	302,284,588	333,692,799	349,907,617	198,827,269
Right of Use Assets	-	-	-	-	1,205,648
Total Noncurrent Assets	<u>137,302,105</u>	<u>164,446,663</u>	<u>186,882,023</u>	<u>192,566,191</u>	<u>200,032,917</u>
Total Assets	<u>\$183,176,635</u>	<u>\$232,912,777</u>	<u>\$251,481,384</u>	<u>\$262,291,463</u>	<u>\$275,430,733</u>
Deferred Outflows					
Pension Related	172,864,241	\$122,903,813	\$ 51,638,648	\$ 26,771,005	\$ 32,051,051
OPEB Related	14,338,418	16,488,483	13,279,500	11,774,308	9,628,553
Total Deferred Outflows	<u>\$187,232,659</u>	<u>\$139,352,296</u>	<u>\$ 64,918,148</u>	<u>\$ 38,545,313</u>	<u>\$ 41,679,604</u>
Liabilities					
Current Liabilities					
Accounts Payable	\$ 4,331,153	\$ 3,588,111	\$ 1,616,169	\$ 1,764,364	\$ 3,111,280
Accrued Payroll	3,446,348	3,159,301	4,909,144	6,177,178	6,653,194
Accrued Interest Payable	368,681	484,777	446,852	589,442	421,753
Unearned Revenue	-	-	-	-	81,095
Accrued Compensated Absences	-	353,639	407,623	617,972	1,940,651
Current Portion of Subscription Obligations	-	-	-	-	307,324
Current Portion of Bonds Payable	4,470,000	5,015,000	9,095,000	9,945,000	8,885,000
Total Current Liabilities	<u>\$ 12,616,182</u>	<u>\$ 12,600,828</u>	<u>\$ 16,474,788</u>	<u>\$ 19,093,956</u>	<u>\$ 21,400,297</u>
Noncurrent Liabilities					
Accrued Compensated Absences	\$ 508,853	\$ 906,052	\$ 329,940	\$ 231,171	\$ 432,527
Subscription Obligations	-	-	-	-	759,913
Bonds Payable	32,460,000	46,460,000	40,980,000	39,709,180	25,980,566
Bond Premium, Net of Accumulated Amortization	1,873,116	2,962,902	2,979,393	2,444,180	-
Net Pension Liability	360,767,291	135,204,767	157,942,461	169,053,502	165,822,444
OPEB Liability	49,508,065	41,908,527	29,018,918	22,338,071	22,438,562
Total Noncurrent Liabilities	<u>\$445,117,325</u>	<u>\$227,442,248</u>	<u>\$231,250,712</u>	<u>\$233,776,104</u>	<u>\$215,434,012</u>
Total Liabilities	<u>\$457,733,507</u>	<u>\$240,043,076</u>	<u>\$247,725,500</u>	<u>\$252,870,060</u>	<u>\$236,834,309</u>
Deferred Inflows					
Bond Refunding Related	\$ 845,617	\$ 642,108	\$ 438,599	\$ 235,088	\$ 195,907
Pension Related	1,391,095	187,932,357	96,578,469	29,169,988	14,223,713
OPEB Related	19,997,771	24,562,836	27,119,721	25,648,044	18,429,838
Total Deferred Inflows	<u>\$ 22,234,483</u>	<u>\$213,137,301</u>	<u>\$124,136,789</u>	<u>\$ 55,053,120</u>	<u>\$ 32,849,458</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	\$ 99,534,081	\$120,101,132	\$139,564,530	\$150,916,503	\$171,037,529
Restricted for:					
Inventories	-	-	-	766,935	858,046
General Fund	-	-	-	222,068	366,788
Debt Service	6,959,461	11,802,399	12,970,913	13,313,061	15,068,850
Capital Projects	1,024,450	5,001,087	6,179,557	6,340,566	9,408,943
Other Purposes – Special					
Revenue	392,781	710,742	874,525	1,970,503	3,032,266
Unrestricted	(217,469,469)	(218,530,664)	(215,052,282)	(179,557,959)	(152,345,852)
Total Net Assets	<u>(\$109,558,696)</u>	<u>(\$ 80,915,304)</u>	<u>(\$ 55,462,757)</u>	<u>(\$ 6,028,323)</u>	<u>\$ 47,426,570</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 District's audited financial statements for the fiscal year ended June 30, 2025, is attached as Appendix C.

Table 13 – District Statement of Activities

The following is a history of the District's Statement of Activities. The complete audit report for the fiscal years ending June 30, 2021 through 2025 can be downloaded from the New Mexico State Auditor's website using the following link: <http://www.saonm.org/audit-report-search>.

	<u>30-Jun-21</u>	<u>30-Jun-22</u>	<u>30-Jun-23</u>	<u>30-Jun-24</u>	<u>30-Jun-25</u>
	<u>Governmental</u>	<u>Governmental</u>	<u>Governmental</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
<i>Expenses:</i>					
Total Government Activities	(\$203,717,282)	(\$131,799,820)	(\$137,617,837)	(\$151,479,905)	(\$156,390,234)
Less Charges for Services	120,742	540,823	663,590	2,026,218	1,828,526
Less Operating Grants and Contributions	19,889,552	27,669,932	35,253,795	29,575,974	23,307,152
Less Capital Grants and Contributions	11,824,508	10,000,000	-	2,088,850	1,185,800
Total Governmental Activities	<u>(\$171,882,510)</u>	<u>(\$ 93,589,065)</u>	<u>(\$101,700,452)</u>	<u>(\$117,788,863)</u>	<u>(\$130,068,756)</u>
<i>General Revenues:</i>					
Property and Oil & Gas Taxes	18,400,960	29,256,447	27,173,587	32,485,182	37,499,072
State of New Mexico Equalization Grant	91,801,743	92,510,556	98,933,848	114,077,904	128,816,132
Grants and Contributions	-	-	-	164,871	2,128,999
Pension Income	-	-	-	-	8,199,406
OPEB Income	-	-	-	-	3,286,606
Local Sources	-	-	-	21,939,003	-
Investment Earnings	19,442	10,193	426,769	329,587	757,395
Miscellaneous	414,3374	455,261	618,795	33,137	68,709
Gain/(Loss) on Disposition of Assets	-	-	-	865,934	-
Total General Revenues	<u>\$110,636,582</u>	<u>\$122,232,457</u>	<u>\$127,152,999</u>	<u>\$169,895,618</u>	<u>\$180,791,638</u>
Increase (Decrease) in Net Position	(61,245,928)	28,643,392	25,452,547	52,106,755	50,722,882
Net Position Beginning	(48,312,768)	(109,558,696)	(80,915,304)	(55,462,757)	(6,028,323)
Restatement	-	-	-	(2,672,321)	2,732,011
Net Position Beginning – As Restated	<u>(48,312,768)</u>	<u>(109,558,696)</u>	<u>(80,915,304)</u>	<u>(58,135,078)</u>	<u>(3,296,312)</u>
Net Position Ending	<u>(\$109,558,696)</u>	<u>(\$ 80,915,304)</u>	<u>(\$ 55,462,757)</u>	<u>(\$ 6,028,323)</u>	<u>\$ 47,426,570</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 District's audited financial statements for the fiscal year ended June 30, 2025, is attached as Appendix C.

Table 14 – District Balance Sheet

The following is a history of the District's General Fund Balance Sheet. The General Fund includes Operational, Teacherage, Transportation and Instructional Materials. The complete audit report for the fiscal years ending June 30, 2021 through 2025 can be downloaded from the New Mexico State Auditor's website using the following link: <http://www.saonm.org/audit-report-search>.

	<u>30-Jun-21</u>	<u>30-Jun-22</u>	<u>30-Jun-23</u>	<u>30-Jun-24</u>	<u>30-Jun-25</u>
ASSETS:					
Cash and Cash Equivalents	\$11,965,049	\$18,174,468	\$ 6,958,920	\$23,242,294	\$16,969,252
Investments	3,580,176	2,586,413	7,999,354	9,309,666	17,887,033
Accounts Receivable:					
Taxes	63,114	168,318	139,054	162,325	155,395
Due from Other Governments	-	-	-	-	-
Interfund Receivables	16,863,746	17,106,339	23,991,134	8,885,423	11,671,466
Other	41,593	-	305,245	10,887	10,354
Inventory	<u>405,775</u>	<u>390,399</u>	<u>472,031</u>	<u>570,205</u>	<u>511,780</u>
Total Assets	<u>\$32,649,453</u>	<u>\$38,425,937</u>	<u>\$39,865,738</u>	<u>\$42,180,800</u>	<u>\$47,205,280</u>
LIABILITIES AND EQUITY:					
Accounts Payable	\$ 248,476	\$ 720,685	\$ 425,719	\$ 251,284	\$ 1,434,820
Accrued Expenses	3,103,152	2,807,927	4,433,909	5,405,643	5,831,353
Interfund Payables	<u>15,584</u>	<u>426,063</u>	<u>223,557</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 3,367,212</u>	<u>\$ 3,954,675</u>	<u>\$ 5,083,185</u>	<u>\$ 5,656,927</u>	<u>\$ 7,266,173</u>
Deferred Inflows					
Deferred Revenue	\$ 3,739	\$ 9,780	\$ 12,348	\$ 15,202	\$ 16,734
Total Deferred Inflows	<u>\$ 3,739</u>	<u>\$ 9,780</u>	<u>\$ 12,348</u>	<u>\$ 15,202</u>	<u>\$ 16,734</u>
EQUITY:					
Fund Balances:					
Nonspendable Inventory	\$ 405,775	\$ 390,399	\$ 472,031	\$ 570,205	\$ 511,780
Restricted for: Transportation	1,279	279	37,356	175,983	320,703
Restricted for: Instructional Materials	46,085	46,085	46,085	46,085	46,085
Restricted for: Food Services	-	-	-	-	-
Restricted for: Education	-	-	-	-	-
Local Revenue Operational	-	-	126,706	-	-
Committed for: Subsequent Year's Expenditures	-	-	-	28,881,740	29,245,545
Unassigned	<u>28,825,363</u>	<u>34,024,719</u>	<u>34,088,027</u>	<u>6,834,658</u>	<u>9,798,260</u>
Total Fund Balance	<u>29,278,502</u>	<u>34,461,482</u>	<u>34,770,205</u>	<u>36,508,671</u>	<u>39,922,373</u>
Total Liabilities and Equity	<u>\$32,649,453</u>	<u>\$38,425,937</u>	<u>\$39,865,738</u>	<u>\$42,180,800</u>	<u>\$47,205,280</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 District's audited financial statements for the fiscal year ended June 30, 2025, is attached as Appendix C.

**Table 15 – District Statement of Revenues, Expenditures &
Changes in Fund Balances**

The following is a history of the District's General Fund Statement of Revenues, Expenditures & Changes in Fund Balances. The General Fund includes Operational, Teacherage, Transportation and Instructional Materials. The complete audit report for the fiscal years ending June 30, 2021 through 2025 can be downloaded from the New Mexico State Auditor's website using the following link: <http://www.saonm.org/audit-report-search>.

	<u>30-Jun-21</u>	<u>30-Jun-22</u>	<u>30-Jun-23</u>	<u>30-Jun-24</u>	<u>30-Jun-25</u>
REVENUE:					
Property Taxes	\$ 459,117	\$ 622,582	\$ 496,928	\$ 661,800	\$ 562,539
Oil and Gas Taxes	263,081	527,726	543,676	684,154	852,739
Federal Sources	211,337	211,942	70,612	61,854	-
Grants and Contributions	-	-	-	-	720,905
State Flowthrough	91,802,226	93,838,180	99,015,258	121,623,053	132,564,528
Payments in Lieu of Taxes	-	-	-	-	138,480
State Direct	-	-	-	-	-
Transportation Distribution	2,883,962	2,736,762	2,864,135	-	-
Charges for Services	3,760	20,027	29,088	27,613	47,141
Investment Income	6,579	9,150	416,478	329,587	757,395
Miscellaneous	413,817	448,738	634,224	11,505	-
TOTAL REVENUES	<u>\$ 96,043,879</u>	<u>\$ 98,415,107</u>	<u>\$104,070,399</u>	<u>\$123,399,566</u>	<u>\$135,643,727</u>
EXPENDITURES:					
Current:					
Instruction	\$ 57,727,718	\$ 58,527,137	\$ 64,777,256	\$ 76,756,311	\$ 79,743,512
Support Services:					
Support Services-Student	8,498,977	9,981,388	9,754,609	12,669,380	14,921,961
Support Services-Instruction	2,598,723	2,459,904	3,080,165	4,824,589	5,177,481
Support Services-General Administration	1,146,055	1,355,094	1,574,093	1,714,795	1,621,274
Support Services-School Administration	5,134,088	5,493,915	6,471,742	7,994,277	8,395,352
Central Services	2,178,370	2,405,899	2,878,772	3,000,442	3,864,362
Operation and Maintenance of Plant	7,116,635	9,728,122	11,110,419	10,636,455	12,727,332
Student Transportation	3,175,738	3,063,443	2,811,771	3,215,362	3,520,705
Food Service Services	-	132,227	1,195,915	809,489	203,798
Other Support Services	-	84,998	-	-	-
Capital Outlay	-	-	-	40,000	1,832,237
Acquisition and Construction	-	-	106,934	-	-
TOTAL EXPENDITURES	<u>\$ 87,587,304</u>	<u>\$ 93,232,127</u>	<u>\$103,761,676</u>	<u>\$121,661,100</u>	<u>\$132,008,014</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	8,456,575	5,182,980	308,723	1,738,466	3,635,713
Reversion of Prior Year Revenues	-	-	-	-	(87,992)
Transfers In<Out>	-	-	-	-	(134,019)
Total Other Financial Sources	-	-	-	-	(222,011)
Net Change in Fund Balances	8,456,575	5,182,980	308,723	1,738,466	3,413,702
FUND BALANCE:					
End of Previous Fiscal Year	20,821,927	29,278,502	34,461,482	34,770,205	36,508,671
Adjustments	-	-	-	-	-
Restated Fund Balance-End of Previous Fiscal Year	<u>20,821,927</u>	<u>29,278,502</u>	<u>34,461,482</u>	<u>34,770,205</u>	<u>36,508,671</u>
End of Stated Fiscal Year	<u>\$ 29,278,502</u>	<u>\$ 34,461,482</u>	<u>\$ 34,770,205</u>	<u>\$ 36,508,671</u>	<u>\$ 39,922,373</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 District's audited financial statements for the fiscal year ended June 30, 2025, is attached as Appendix C.

ADDITIONAL INFORMATION

Information concerning the Bonds, including the District's Official Statement, may be obtained from the District's Municipal Advisor, Stifel, Nicolaus & Company, Inc., Two Park Sq. 6565 Americas Parkway NE, Suite 200, Albuquerque, New Mexico 87110.

The District will provide the Final Official Statement and any amendments or supplements thereto and will undertake all other obligations as contemplated by Rule 15c12-12 of the Securities and Exchange Commission.

OFFICIAL STATEMENT CERTIFICATION

As of the date hereof this Official Statement is true to the best of my knowledge, complete and correct in all material respects, and does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they are made, not misleading.

The preparation of this Official Statement and its distribution has been authorized by the District. The Official Statement is hereby duly approved by the District as of the date on the cover page hereof.

HOBBS MUNICIPAL SCHOOL DISTRICT NO. 16

/s/ Gene Strickland
Superintendent

APPENDIX A

GENERAL INFORMATION – LEA COUNTY

LEA COUNTY GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

The Hobbs Municipal School District No. 16 (the "District") is located in Lea County in the southeast quadrant of New Mexico. The District encompasses the City of Hobbs with an estimated 2025 population of 40,863.

Crude Oil and Natural Gas Production

Crude Oil

Calendar Year	<u>Lea County</u>		<u>New Mexico</u>	
	Volume (Barrels)	Value (000's)	Volume (Barrels)	Value (000's)
2017	95,781,797	\$ 4,577,686	173,704,284	\$ 8,251,859
2018	139,783,887	7,624,327	252,462,426	13,964,273
2019	190,016,600	10,058,381	339,991,185	18,039,317
2020	216,911,628	8,009,309	381,846,135	14,040,322
2021	276,222,963	18,589,129	469,325,502	31,620,615
2022	346,152,337	32,848,054	595,043,720	56,280,851
2023	399,517,095	30,824,568	683,194,575	52,402,529
2024	427,749,881	32,278,545	750,069,846	56,105,223
2025*	434,183,359	27,902,286	809,128,147	51,697,213

Natural Gas

Calendar Year	<u>Lea County</u>		<u>New Mexico</u>	
	Volume (MCF)	Value (000's)	Volume (MCF)	Value (000's)
2017	324,321,297	\$1,101,897	1,382,237,640	\$ 4,501,627
2018	428,218,661	1,538,032	1,611,214,479	5,192,392
2019	503,639,456	1,286,586	1,769,344,267	4,155,050
2020	629,549,022	1,355,742	2,042,341,042	4,089,529
2021	844,384,748	4,962,529	2,437,653,345	12,692,131
2022	1,067,793,760	8,313,573	2,951,800,483	21,434,307
2023	1,315,034,266	4,728,295	3,410,987,038	12,525,110
2024	1,481,083,467	4,622,629	3,613,667,317	10,783,948
2025*	1,740,605,811	5,483,343	4,413,861,087	13,373,541

*NMTRD updates 2025 data periodically throughout 2026 as additional data is filed by producers.

Source: New Mexico Taxation and Revenue Department.

Population

<u>U.S. Census</u>	<u>Lea County</u>	<u>State of New Mexico</u>
2024	75,151	2,130,256
2023	72,101	2,114,371
2022	72,452	2,113,344
2021	73,004	2,115,877
2020	70,359	2,097,021

Source: U.S. Census Bureau for 2020 through 2024.

Percent of Population

<u>Age</u>	<u>Lea County</u>	<u>Age</u>	<u>State of New Mexico</u>
Under 5	6.9%	Under 5	4.9%
5 to 9 years	9.6	5 to 9 years	5.3
10 to 14 years	5.8	10 to 14 years	6.6
15 to 19 years	9.1	15 to 19 years	6.7
20 to 24 years	7.3	20 to 24 years	6.8
25 to 34 years	15.0	25 to 34 years	12.9
35 to 44 years	14.0	35 to 44 years	13.5
45 to 54 years	10.7	45 to 54 years	11.2
55 to 59 years	4.1	55 to 59 years	5.5
60 to 64 years	5.5	60 to 64 years	6.5
65 to 74 years	7.3	65 to 74 years	11.6
75 to 84 years	2.8	75 to 84 years	6.6
85 and over	2.0	85 and over	1.9

Source: U.S. Census Bureau for 2024 – American Community Survey.

Per Capita Personal Income

<u>Year</u>	<u>Lea County</u>	<u>State of New Mexico</u>
2024	\$29,524	\$37,978
2023	31,082	35,510
2022	27,341	33,916
2021	23,809	31,043
2020	26,551	27,945

Source: U.S. Census Bureau for 2020 through 2024.

The following two tables show median household effective buying income and percent of households by effective buying income groups for 2024 and earlier years.

Median Household Effective Buying Income

<u>Year</u>	<u>Lea County</u>	<u>State of New Mexico</u>
2024	\$80,482	\$67,816
2023	55,736	62,268
2022	58,150	59,726
2021	50,725	53,992
2020	61,867	51,243

Source: U.S. Census Bureau for 2020 through 2024, American Community Survey.

Percent of Households by Effective Buying Income Groups

<u>Effective Buying Income Category</u>	<u>Lea County Households</u>	<u>New Mexico Households</u>
Under \$10,000	9.0%	6.7%
10,000-14,999	3.6	4.4
15,000-24,999	9.1	7.9
25,000-34,999	7.4	8.0
35,000-49,999	8.7	10.4
50,000-74,999	9.7	16.6
75,000-99,999	15.6	12.5
100,000-149,999	19.9	16.7
150,000-199,999	11.0	7.8
200,000 or more	5.7	8.9

Source: U.S. Census Bureau, 2024 American Community Survey.

Employment in Lea County

<u>Industry</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024*</u>	<u>2025**</u>
Agriculture, forestry, fishing and hunting	418	392	400	401	457
Mining, quarrying & oil and gas extraction	5,164	7,385	7,639	7,954	7,638
Utilities	400	475	506	516	531
Construction	2,386	2,917	2,977	2,991	3,176
Manufacturing	565	533	564	648	699
Wholesale trade	782	863	868	902	984
Retail trade	3,057	3,149	3,288	3,463	3,557
Transportation & warehousing	1,567	1,826	2,013	2,218	2,228
Information	171	199	212	218	2,007
Finance & insurance	654	640	435	445	451
Real estate & rental & leasing	431	491	513	520	518
Professional, scientific & technical services	676	799	807	904	891
Management of companies & enterprises	167	164	155	134	130
Administrative & waste services	1,261	1,470	1,566	1,483	1,471
Educational services	2,274	2,679	2,637	2,938	2,912
Health care & social assistance	2,537	2,677	2,677	2,773	2,854
Arts, entertainment & recreation	275	247	300	284	309
Accommodation & food services	2,882	3,181	3,159	3,333	3,124
Other services, except public admin	655	644	658	768	778
Total Government	<u>892</u>	<u>917</u>	<u>922</u>	<u>979</u>	<u>1,000</u>
Total, all industries	27,214	30,674	32,296	33,872	32,861

*As of end of Q3 2024.

**As of end of Q3 2025.

Source: State of New Mexico Department of Workforce Solutions.

Major Employers

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

<u>Employer</u>	<u>Number of Employees</u>
Hobbs Municipal Schools	1,432
Nor-Lea Hospital	638
City of Hobbs	529
Lovington Municipal Schools	500
Mewbourne Oil Company	415
Lea County	410
Walmart SuperCenter	380
Ingram Professional Services	350
Urenco USA	347
Watson's Construction	337
McDonald's Restaurant	315
Albertson's Market Hobbs	280
Covenant Hospital Hobbs	275
New Mexico Junior College	266
Albertson's Market Lovington	206
Zia Park Casino, Racetrack, & Hotel	202
University of the Southwest	115-130
Ramirez & Sons, Inc.	130
Home Depot	125

Source: Economic Development Corporation of Lea County, April 2026.

Employment/Unemployment

<u>Annual Average</u>	<u>Lea County</u>	<u>State of New Mexico⁽¹⁾</u>
<u>2025 Civilian Labor Force</u>	35,352	985,701
Employment	34,103	944,167
Unemployment	1,249	41,534
Unemployment Rate	3.5%	4.2%
 <u>2024 Civilian Labor Force</u>	 35,133	 981,492
Employment	33,903	941,313
Unemployment	1,230	40,179
Unemployment Rate	3.5%	4.1
 <u>2023 Civilian Labor Force</u>	 33,655	 966,516
Employment	32,594	930,980
Unemployment	1,061	35,536
Unemployment Rate	3.2%	3.7%
 <u>2022 Civilian Labor Force</u>	 32,113	 946,148
Employment	30,798	907,560
Unemployment	1,315	38,588
Unemployment Rate	4.1%	4.1%
 <u>2021 Civilian Labor Force</u>	 30,5852	 939,995
Employment	27,813	873,417
Unemployment	2,769	66,578
Unemployment Rate	9.1%	7.1%

⁽¹⁾ Annual estimates for 2025 are 11-month averages that exclude October. Data for October 2025 were not collected due to the federal government shutdown.

Source: US Department of Labor, Bureau of Labor Statistics.

APPENDIX B

FORMS OF OPINIONS OF CO-BOND COUNSEL

M. Karen Kilgore
Sandra J. Brinck
Aaron J. Wolf
Julie A. Wittenberger
Charles V. Garcia
K. Stephen Royce
Julie S. Rivers

Heather Travis Boone
Scott P. Hatcher
Scott E. Turner
Elizabeth A. Heaphy
Carlos J. Padilla

Robert A. Corchine
Kathryn E. Grusauskas
Carl J. Waldhart
Mary C. Bessone



C. Emery "Buck" Cuddy, Jr. (1944-2019)
John F. McCarthy, Jr. (Retired)

hboone@cmc.law

Reply to Santa Fe Office

_____, 2026

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

\$19,260,000
HOBBS MUNICIPAL SCHOOL DISTRICT NO. 16
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2026

We have acted as Bond Counsel in connection with the issuance by the Hobbs Municipal School District No. 16, County of Lea, State of New Mexico ("Issuer"), of its General Obligation School Bonds, Series 2026 ("Bonds") in the aggregate principal amount of \$19,260,000. In addition to examining those portions of the Constitution and laws of the State of New Mexico considered by us to be relevant to this opinion, we have reviewed certified copies of the proceedings of the Issuer and documents authorizing the release of the Bonds, including the form of Bond approved by the Issuer. We have acted as Bond Counsel for the Issuer for the sole purpose of rendering an opinion with respect to the validity of the Bonds under the Constitution and laws of the State of New Mexico, as to which an opinion is rendered herein, and for no other reason or purpose.

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

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

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

1. The Bonds have been authorized, issued, and delivered in accordance with the Constitution and laws of the State of New Mexico, including NMSA 1978, Section 6-15-9, and constitute valid and legally binding general obligations of the Issuer.

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

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

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

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

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

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

Sincerely,

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

\$19,260,000
HOBBS MUNICIPAL SCHOOL DISTRICT NO. 16
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2026

We have acted as Co-Bond Counsel in connection with the issuance by the Hobbs Municipal School District No. 16 (the "Issuer"), of its General Obligation School Bonds, Series 2026 in the aggregate principal amount of \$19,260,000 (the "Bonds"). We have examined those portions of the Constitution and laws of the State of New Mexico considered by us relevant to this opinion, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of the Bonds, including the form of the Bonds approved by the Issuer. We have acted as Co-Bond Counsel for the Issuer for the sole purpose of rendering an opinion with respect to the validity of the Bonds under the Constitution and laws of the State of New Mexico and with respect to the application to the Bonds of those provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as to which an opinion is rendered herein and for no other reason or purpose.

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

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

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

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



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

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

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

Except as stated above, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

We call your attention to the fact that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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



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

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

Respectfully,

APPENDIX C

The information contained in this Appendix has been reproduced from the Hobbs School District Annual Financial Report (the "Report") for the fiscal year ended June 30, 2025, as prepared by Accounting & Financial Solutions, LLC, Farmington, New Mexico.

THE INFORMATION PRESENTED REPRESENTS ONLY A PART OF THE REPORT AND DOES NOT PURPORT TO BE A COMPLETE STATEMENT OF THE DISTRICT'S FINANCIAL CONDITION. REFERENCE IS MADE TO THE COMPLETE REPORT FOR ADDITIONAL INFORMATION.



State of New Mexico
Hobbs Municipal School District
Annual Financial Report June 30, 2025



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STATE OF NEW MEXICO
**HOBBS MUNICIPAL
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2025
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION
OF
HOBBS MUNICIPAL SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FISCAL YEAR 2025

JULY 1, 2024 THROUGH JUNE 30, 2025



Our Vision

Hobbs Municipal Schools aspires to be a community that equips ALL Learners for their unique future.

Our Mission

Hobbs Municipal Schools provides a safe learning environment that ignites and fosters passion so that all learners are provided with high-quality education that opens doors to endless opportunities.

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOLS
ANNUAL FINANCIAL REPORT – JUNE 30, 2025

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOLS
ANNUAL FINANCIAL REPORT – JUNE 30, 2025

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOLS
ANNUAL FINANCIAL REPORT – JUNE 30, 2025

OFFICIAL ROSTER

BOARD OF EDUCATION

Terry O'Brain	President
Peggy Appleton	Vice-President
Patricia D. Jones	Secretary
Joe Calderon	Member
Kerry Romine	Member

SCHOOL OFFICIALS

Gene Strickland	Superintendent
Dixie Rosier	Assistant Supt. for Instruction
Doug Young	Asst. Superintendent of Operations
Susan Flowers	Director of Federal Programs
Brian Byrd	Asst. Superintendent of HR Director of Finance

AUDIT COMMITTEE

Terry O'Brain	President
Kerry Romine	Member
Gene Strickland	Superintendent
Brian Byrd	Asst. Superintendent of HR and Finance
Amy Donahue	Parent
Jessica Alvarado	Accounting Manager/CPO
Chelsea Toglia	Teacher
Medjine Desrosiers Douyon	Parent

FINANCE COMMITTEE

Terry O'Brain	President
Kerry Romine	Member
Gene Strickland	Superintendent
Brian Byrd	Asst. Superintendent of HR and Finance
Amy Donahue	Parent
Jessica Alvarado	Accounting Manager/CPO
Chelsea Toglia	Teacher
Medjine Desrosiers Douyon	Parent



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FINANCIAL SECTION
OF
HOBBS MUNICIPAL SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FISCAL YEAR 2025

JULY 1, 2024 THROUGH JUNE 30, 2025



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INDEPENDENT AUDITORS' REPORT

To the Board of Education and Audit Committee of
Hobbs Municipal School District
Hobbs, New Mexico

and

Gene Strickland, Superintendent
Hobbs Municipal School District
Hobbs, New Mexico

and

Joseph M. Maestas, P.E., State Auditor
New Mexico Office of the State Auditor
Santa Fe, New Mexico

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and budgetary comparisons of the general fund and each major special revenue fund of the Hobbs Municipal School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Hobbs Municipal School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information, and budgetary comparisons of the general fund and each major special revenue fund of the Hobbs Municipal School District, as of June 30, 2025, and the respective changes in financial position, there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hobbs Municipal School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

During the year ended June 30, 2025, the District restated the net position for the implementation of GASB Statement No. 101, *Compensated Absences*. The details of the change in accounting principle are described in Note 4 I of the footnotes to the financial statements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hobbs Municipal School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Hobbs Municipal School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hobbs Municipal School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions for pensions and OPEB (pages 58-60), be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hobbs Municipal School District's basic financial statements. The combining and individual general fund financial statements, combining and individual nonmajor fund financial statements, schedule of debt maturities, and schedules required by 2.2.2.NMAC (Cash Reconciliation, Schedule of Deposits and Investments, and Schedule of Pledged Collateral) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 general fund financial statements, combining and individual nonmajor fund financial statements, schedule of debt maturities, and schedules required by 2.2.2.NMAC (Cash Reconciliation, Schedule of Deposits and Investments, and Schedule of Pledged Collateral) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025 on our consideration of the Hobbs Municipal School 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 solely 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 effectiveness of the Hobbs Municipal School District's 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 Hobbs Municipal School District's internal control over financial reporting and compliance.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
December 19, 2025

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BASIC FINANCIAL STATEMENTS
OF
HOBBS MUNICIPAL SCHOOL DISTRICT

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2025

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2025

	Governmental <u>Activities</u>
Assets	
Cash and cash equivalents	\$ 49,044,223
Investments	18,785,607
Receivables:	
Taxes	3,991,844
Intergovernmental	2,707,560
Other receivables	10,536
Supply inventory	511,780
Food inventory	346,266
Noncurrent assets:	
Non-depreciable capital assets	9,495,050
Depreciable capital assets, net	189,332,219
Right of use assets - subscription-based IT arrangements, net	<u>1,205,648</u>
Total Assets	<u>275,430,733</u>
 Deferred Outflows of Resources:	
Deferred outflows related to pensions	32,051,051
Deferred outflows related to OPEB (other post-employment benefits)	<u>9,628,553</u>
Total Deferred Outflows of Resources	<u>\$ 41,679,604</u>

(cont'd; 1 of 2)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2025

	Governmental <u>Activities</u>
Liabilities	
Accounts payable	\$ 3,111,280
Payroll liabilities	6,653,194
Accrued interest	421,753
Unearned revenues	81,095
Current portion of compensated absences	1,940,651
Current portion subscription obligations	307,324
Current portion of bonds payable	8,885,000
Noncurrent liabilities:	
Compensated absences	432,527
Subscription obligations	759,913
Bonds payable due in more than one year	25,980,566
Net pension liability	165,822,444
Net OPEB liability	<u>22,438,562</u>
Total Liabilities	<u>236,834,309</u>
 Deferred Inflows of Resources	
Deferred gain on bond refunding	195,907
Deferred inflows related to pensions	14,223,713
Deferred inflows related to OPEB (other post-employment benefits)	<u>18,429,838</u>
Total Deferred Inflows of Resources	<u>32,849,458</u>
 Net Position	
Net investment in capital assets	171,037,529
Restricted for:	
Inventories	858,046
General funds	366,788
Special revenue funds	3,032,266
Capital projects	9,408,943
Debt service	15,068,850
Unrestricted	<u>(152,345,852)</u>
Total Net Position	<u>\$ 47,426,570</u>

(2 of 2)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
Instruction	\$ 76,970,727	\$ 1,543,822	\$ 7,684,051	\$ 1,180,665	\$ (66,562,189)
Support Services - Students	19,751,772	-	1,971,835	-	(17,779,937)
Support Services - Instruction	6,017,835	-	600,765	-	(5,417,070)
Support Services - General Administration	1,924,525	-	192,127	5,135	(1,727,263)
Support Services - School Administration	9,856,859	-	984,018	-	(8,872,841)
Central Services	4,162,298	-	415,526	-	(3,746,772)
Operations & Maintenance of Plant	21,047,935	-	2,101,232	-	(18,946,703)
Student Transportation	3,792,146	-	3,657,471	-	(134,675)
Food Services	12,166,279	284,704	5,700,127	-	(6,181,448)
Interest paid	699,858	-	-	-	(699,858)
Total governmental activities	<u>\$ 156,390,234</u>	<u>\$ 1,828,526</u>	<u>\$ 23,307,152</u>	<u>\$ 1,185,800</u>	<u>(130,068,756)</u>
General revenues:					
Taxes:					
Property Taxes:					
General purposes					564,071
Capital projects					8,542,396
Debt service					7,940,033
Oil and gas					20,452,572
State equalization					128,816,132
Grants and contributions not restricted					2,128,999
Pension income					8,199,406
OPEB income					3,286,606
Unrestricted investment earnings					757,395
Miscellaneous income					68,709
Total general revenues					<u>180,791,638</u>
Change in net position					<u>50,722,882</u>
Net position - beginning					(6,028,323)
Restatement					2,732,011
Net position - beginning as restated					<u>(3,296,312)</u>
Net position - ending					<u>\$ 47,426,570</u>

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

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2025

	General	Food Service	GO Debt Service	Other	Total
	<u>Fund</u>	<u>Fund 21000</u>	<u>Fund 41000</u>	<u>Funds</u>	<u>Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 16,969,252	\$ 270,358	\$ 13,428,998	\$ 18,375,615	\$ 49,044,223
Investments	17,887,033	-	226,772	671,802	18,785,607
Receivables:					
Taxes	155,395	-	1,834,833	2,001,616	3,991,844
Intergovernmental	-	529,555	-	2,178,005	2,707,560
Other receivables	10,354	-	-	182	10,536
Due from other funds	11,671,466	13,457	-	721,464	12,406,387
Supply inventory	511,780	-	-	-	511,780
Food inventory	-	346,266	-	-	346,266
Total assets	\$ 47,205,280	\$ 1,159,636	\$ 15,490,603	\$ 23,948,684	\$ 87,804,203
Liabilities, deferred inflows, and fund balance					
Liabilities:					
Accounts payable	\$ 1,434,820	\$ 21,112	\$ -	\$ 1,655,348	\$ 3,111,280
Payroll liabilities	5,831,353	270,358	-	551,483	6,653,194
Due to other funds	-	6,910,523	-	5,495,864	12,406,387
Unearned revenues	-	-	-	81,095	81,095
Total liabilities	7,266,173	7,201,993	-	7,783,790	22,251,956
Deferred inflows of resources:					
Unavailable tax revenues	16,734	-	258,269	281,176	556,179
Fund balance:					
Non-spendable:					
Inventories	511,780	346,266	-	-	858,046
Restricted for:					
Transportation	320,703	-	-	-	320,703
Instructional materials	46,085	-	-	-	46,085
Extracurricular activities	-	-	-	998,719	998,719
Grantor restrictions	-	-	-	2,033,547	2,033,547
Capital projects	-	-	-	16,261,089	16,261,089
Debt service	-	-	15,232,334	-	15,232,334
Committed to:					
Subsequent year's expenditures	29,245,545	-	-	-	29,245,545
Unassigned	9,798,260	(6,388,623)	-	(3,409,637)	-
Total fund balance	39,922,373	(6,042,357)	15,232,334	15,883,718	64,996,068
Total liabilities, deferred inflows of resources, and fund balance	\$ 47,205,280	\$ 1,159,636	\$ 15,490,603	\$ 23,948,684	\$ 87,804,203

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

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2025

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

Fund balances - total governmental funds	\$ 64,996,068
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets and right of use assets	364,149,695
Accumulated depreciation and amortization	(164,116,778)
Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include:	
Contributions to pension subsequent to the measurement date	15,257,973
Difference between expected and actual pension experience	13,521,894
Net change in proportionate share of pension liability	3,271,184
Contributions to OPEB subsequent to the measurement date	1,685,354
Difference between expected and actual OPEB experience	240,475
Net difference between projected and actual investment earnings on OPEB plan investments	200,579
Net change in OPEB assumptions	4,198,817
Net change in proportionate share of OPEB liability	3,303,328
Gain on bond refunding	(195,907)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	
Bonds payable	(33,540,000)
Accrued interest payable	(421,753)
Accrued compensated absences	(2,373,178)
Subscription obligations	(1,067,237)
Bond premiums	(1,325,566)
Net pension liability	(165,822,444)
Net OPEB liability	(22,438,562)
Deferred inflow of resources are not financial resources, and therefore are not reported in the funds and include:	
Unavailable tax revenues	556,179
Difference between expected and actual pension experience	(367,626)
Net difference between projected and actual investment earnings on pension plan investments	(5,023,072)
Net change in pension assumptions	(4,345,771)
Net change in proportionate share of pension liability	(4,487,244)
Difference between expected and actual OPEB experience	(2,343,806)
Net change in OPEB assumptions	(14,229,122)
Net change in proportionate share of OPEB liability	<u>(1,856,910)</u>
Net position of governmental activities	<u>\$ 47,426,570</u>

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

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2025

	General Fund	Food Service Fund 21000	GO Debt Service Fund 41000	Reclassified To Non-major Fund GO Bond Building Fund 31100	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property	\$ 562,539	\$ -	\$ 7,924,417	\$ -	\$ 8,590,455	\$ 17,077,411
Oil and gas	852,739	-	9,366,934	-	10,232,899	20,452,572
Intergovernmental - federal grants	-	5,700,127	-	-	9,046,333	14,746,460
Intergovernmental - state grants	132,564,528	404,420	-	-	5,646,523	138,615,471
Contributions - private grants	720,905	-	-	-	1,269,614	1,990,519
Payments in lieu of taxes	138,480	-	-	-	35,319	173,799
Charges for services	47,141	284,704	-	-	1,496,681	1,828,526
Investment and interest income	757,395	-	11,758	-	23,387	792,540
Miscellaneous	-	-	-	-	68,709	68,709
Total revenues	<u>135,643,727</u>	<u>6,389,251</u>	<u>17,303,109</u>	<u>-</u>	<u>36,409,920</u>	<u>195,746,007</u>
Expenditures:						
Current:						
Instruction	79,743,512	-	-	-	8,656,668	88,400,180
Support services:						
Students	14,921,961	-	-	-	3,415,984	18,337,945
Instruction	5,177,481	-	-	-	411,436	5,588,917
General Administration	1,621,274	-	78,785	-	86,709	1,786,768
School Administration	8,395,352	-	-	-	755,956	9,151,308
Central Services	3,864,362	-	-	-	-	3,864,362
Operation & Maintenance of Plant	12,727,332	-	-	-	-	12,727,332
Student transportation	3,520,705	-	-	-	-	3,520,705
Operation of non-instructional services:						
Food services operations	203,798	8,835,693	-	-	2,255,929	11,295,420
Capital outlay	1,832,237	-	-	-	19,733,164	21,565,401
Debt service:						
Principal retirement	-	-	9,945,000	-	-	9,945,000
Bond interest paid	-	-	1,607,438	-	-	1,607,438
Other	-	-	3,605	-	-	3,605
Total expenditures	<u>132,008,014</u>	<u>8,835,693</u>	<u>11,634,828</u>	<u>-</u>	<u>35,315,846</u>	<u>187,794,381</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,635,713</u>	<u>(2,446,442)</u>	<u>5,668,281</u>	<u>-</u>	<u>1,094,074</u>	<u>7,951,626</u>
Other financing sources and financing uses:						
Payment to escrow agent	-	-	(4,095,797)	-	-	(4,095,797)
Reversion of prior year revenues	(87,992)	-	-	-	-	(87,992)
Transfers In	-	-	-	-	134,019	134,019
Transfers out	(134,019)	-	-	-	-	(134,019)
Total other financing sources and financing uses	<u>(222,011)</u>	<u>-</u>	<u>(4,095,797)</u>	<u>-</u>	<u>134,019</u>	<u>(4,183,789)</u>
<i>Net change in fund balance</i>	<u>3,413,702</u>	<u>(2,446,442)</u>	<u>1,572,484</u>	<u>-</u>	<u>1,228,093</u>	<u>3,767,837</u>
Fund balance as previously reported	36,508,671	(3,595,915)	13,659,850	9,360,372	5,228,651	61,161,629
Restatement	-	-	-	-	66,602	66,602
Reclassification	-	-	-	(9,360,372)	9,360,372	-
Fund balance as restated/reclassified	<u>36,508,671</u>	<u>(3,595,915)</u>	<u>13,659,850</u>	<u>-</u>	<u>14,655,625</u>	<u>61,228,231</u>
Fund balance (deficit) at end of the year	<u>\$ 39,922,373</u>	<u>\$ (6,042,357)</u>	<u>\$ 15,232,334</u>	<u>\$ -</u>	<u>\$ 15,883,718</u>	<u>\$ 64,996,068</u>

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

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2025

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

Net change in fund balance - total governmental funds	\$	3,767,837
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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. This is the amount by which capital outlays exceeded depreciation in the current year

Capital outlay		14,424,050
Depreciation and amortization		(11,144,278)

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

Deferred property taxes at:		
June 30, 2024		(528,556)
June 30, 2025		556,179

Deferred grant revenues at:		
June 30, 2024		(58,534)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These differences in the treatment of long-term debt and related items consist of:

Current year principal payments		9,945,000
Principle payments SBITA obligation		283,851
Deferred gain on bond refunding amortization		39,181
Payments to escrow agent for bond defeasance		3,725,000
Bond premium amortization		1,118,614

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences at:		
June 30, 2024		2,375,016
June 30, 2025		(2,373,178)
Accrued interest at:		
June 30, 2024		589,442
June 30, 2025		(421,753)
Loss on asset disposal		(4,328)
Deferred contributions to pension plan		15,257,973
Deferred contributions to OPEB plan		1,685,354
Pension expense		8,199,406
OPEB income		<u>3,286,606</u>

Change in net position of governmental activities	\$	<u>50,722,882</u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

GENERAL FUND
Statements of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Property	\$ 501,275	\$ 501,275	\$ 558,985	\$ 57,710
Oil and gas	634,547	634,547	864,755	230,208
Intergovernmental - state grants	130,276,297	132,533,952	132,564,528	30,576
Contributions - private grants	15,000	15,000	720,905	705,905
Payments in lieu of taxes	-	-	138,480	138,480
Charges for services	-	-	47,141	47,141
Investment and interest income	-	-	757,395	757,395
Total revenues	<u>131,427,119</u>	<u>133,684,774</u>	<u>135,652,189</u>	<u>1,967,415</u>
Expenditures:				
Current:				
Instruction	101,533,513	102,802,334	78,552,642	24,249,692
Support services:				
Students	14,098,887	14,346,298	14,922,347	(576,049)
Instruction	5,629,240	5,741,699	5,172,701	568,998
General Administration	1,777,111	1,799,602	1,604,674	194,928
School Administration	8,392,531	8,572,466	8,407,315	165,151
Central Services	2,932,931	2,973,918	3,864,205	(890,287)
Operation & Maintenance of Plant	22,559,659	22,737,776	12,682,036	10,055,740
Student transportation	3,727,820	3,818,812	3,524,020	294,792
Operation of non-instructional services:				
Food services operations	194,302	398,736	203,798	194,938
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>1,832,237</u>	<u>(1,782,237)</u>
Total expenditures	<u>160,895,994</u>	<u>163,241,641</u>	<u>130,765,975</u>	<u>32,475,666</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(29,468,875)</u>	<u>(29,556,867)</u>	<u>4,886,214</u>	<u>34,443,081</u>
Other financing uses:				
Reversion of prior year revenues	-	-	(87,992)	(87,992)
Transfers out	-	-	(134,019)	(134,019)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(222,011)</u>	<u>(222,011)</u>
<i>Net change in fund balance</i>	<u>(29,468,875)</u>	<u>(29,556,867)</u>	<u>\$ 4,664,203</u>	<u>\$ 34,221,070</u>
<i>Beginning cash balance budgeted</i>	<u>29,468,875</u>	<u>29,556,867</u>		
Total budget excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS:				
<i>Net change in fund balance (budget basis)</i>			\$ 4,664,203	
Change in inventory			(58,426)	
Change in taxes receivable			(6,930)	
Change in payables			(1,183,613)	
Change in deferred property taxes			<u>(1,532)</u>	
<i>Net change in fund balance (GAAP basis)</i>			3,413,702	
Fund balance at beginning of the year			<u>36,508,671</u>	
Fund balance at end of the year			<u>\$ 39,922,373</u>	

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

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

FOOD SERVICE FUND - NO. 21000
Statements of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive</u> <u>(Negative)</u>
Revenues:				
Intergovernmental - federal grants	\$ 7,000,000	\$ 7,000,000	\$ 4,593,669	\$ (2,406,331)
Intergovernmental - state grants	-	-	404,420	404,420
Charges for services	<u>280,000</u>	<u>280,000</u>	<u>284,704</u>	<u>4,704</u>
Total revenues	7,280,000	7,280,000	5,282,793	(1,997,207)
Expenditures:				
Current:				
Operation of non-instructional services:				
Food services operations	<u>7,280,000</u>	<u>7,280,000</u>	<u>8,398,222</u>	<u>(1,118,222)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(3,115,429)	(3,115,429)
Other financing uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	<u>\$ (3,115,429)</u>	<u>\$ (3,115,429)</u>
<i>Beginning cash balance budgeted</i>	<u>-</u>	<u>-</u>		
Total budget excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS:				
<i>Net change in fund balance (budget basis)</i>			\$ (3,115,429)	
Change in inventory			149,537	
Change in intergovernmental receivables			529,555	
Change in payables			<u>(10,105)</u>	
<i>Net change in fund balance (GAAP basis)</i>			(2,446,442)	
Fund balance (deficit) at beginning of the year			<u>(3,595,915)</u>	
Fund balance (deficit) at end of the year			<u>\$ (6,042,357)</u>	

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

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

FIDUCIARY FUNDS
Statement of Fiduciary Net Position
June 30, 2025

	Private-Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Assets		
Cash and cash equivalents	\$ 288,971	\$ 60,050
Liabilities		
Accounts payable	_____ -	_____ -
Net Position		
Restricted for:		
Individuals, organization, and other governments	<u>\$ 288,972</u>	<u>\$ 60,050</u>

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

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

FIDUCIARY FUNDS
Statement of Changes in Fiduciary Net Position
Changes in Fund Balance
For The Year Ended June 30, 2025

	Private-Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Additions:		
Contributions:		
Gifts and bequests	\$ 9,000	\$ 2,150
Unclaimed funds	<u>3,292</u>	<u>-</u>
Total contributions	12,292	2,150
Investment Earnings:		
Interest, dividends, and other	<u>-</u>	<u>541</u>
Total additions	<u>12,292</u>	<u>2,691</u>
Deductions:		
Scholarships awarded	<u>2,000</u>	<u>8,135</u>
<i>Net increase (decrease) in fiduciary net position</i>	<u>10,292</u>	<u>(5,444)</u>
Net position as previously reported	345,282	65,494
Restatement	<u>(66,602)</u>	<u>-</u>
Net position as restated	<u>278,680</u>	<u>65,494</u>
Net position at end of the year	<u><u>\$ 288,972</u></u>	<u><u>\$ 60,050</u></u>

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



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NOTE 1 SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Hobbs Municipal School District (District) is a special purpose government corporation created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 and is governed by an elected five-member Board of Education. The District was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public-school education in the City of Hobbs, New Mexico and the surrounding areas. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The Board of Education is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the Legislative Finance Committee. The Board of Education is comprised of five members who are elected for terms of four years. The District provides preschool, primary, and secondary education within its boundaries and, in conjunction with the regular educational programs, it offer special education, transportation, and school food services for the students.

The District's student enrollments were as follows:

FISCAL YEAR	40 DAY COUNT	80 DAY COUNT	120 DAY COUNT
2025	9,914	9,893	9,898
2024	9,862	9,949	9,959
2023	9,812	9,771	9,757

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

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

1. Blended Component Units

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

2. Discretely Presented Component Units

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

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are prepared using the accrual basis of accounting and the information about the school district as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

Interfund services provided and used are not eliminated in the consolidation of funds for the Statement of Activities. All interfund transactions that do not represent services provided and used between governmental funds are eliminated on the government-wide statements. Interfund activity and balances resulting from transactions with fiduciary funds are not eliminated. Instead, the fiduciary interfund activity and balances are treated as transactions with an external party.



NOTE 1 SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources – which are legally restricted to expenditures for specified purposes. Special revenue fund codes are organized into broad categories designated by the first two digits in the five-digit fund number as follows:

21000 Student Nutrition	26000 Local Grants
22000 Athletic Event Gate Receipts	27000 State Flow-through Grants
23000 Non-Instructional Support	28000 State Direct Grants
24000 Federal Flow-through Grants	29000 Combined Local/State Grants
25000 Federal Direct Grants	

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

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



NOTE 1 SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

➤ **SPECIAL REVENUE FUNDS**

Food Service (Fund No. 21000)

Minimum Balance: None

This program provides financing for the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-4, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

➤ **DEBT SERVICE FUNDS**

Debt Service Fund (Fund No. 41000)

Minimum Balance: None

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Additionally, the government reports the following fund types:

Fiduciary Funds – The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Private-Purpose Trust Funds

Funds that are used to report all trust arrangements under which principal and income benefit individuals, organizations or other governments that are not part of the District and the District does not have administrative involvement with the assets or direct financial involvement with the assets, which includes the scholarship funds that are received to be awarded to current and former students for post-secondary education purposes. For external reporting purposes, the District reports one combined Private-Purpose Trust Fund. However, at June 30, 2025 there was one (1) Private Purpose Trust Fund monitored by the District.

Custodial Funds.

Funds that are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. For external reporting purposes, the District reports one combined Custodial Fund. However, at June 30, 2025 there were eight Custodial Funds administered by the District.

D. Assets, Liabilities, and Net Position or Equity

1. *Deposits and investments*

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

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

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



NOTE 1 SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

2. *Receivables and payables*

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

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

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

3. *Inventories*

The District’s method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are actually consumed. Inventory is valued at cost. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

4. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These payments are related to grant reimbursements and are not recognized as expenditures and submitted for reimbursement until the purchase is complete. The District records prepaid items using the consumption method.



NOTE 1 SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (cont'd)

5. *Capital assets*

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District does not develop software for internal use or any other use.

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

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

ESTIMATED USEFUL LIVES

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

6. *Compensated absences*

Annual Leave – Twelve (12) month employees may accrue up to twenty (20) days of vacation annually. Vacation days carried over from the year in which they accrue must be used no later than the end of the following fiscal year. Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

Sick Time - All District employees accumulate sick leave based on months worked. Employees may not accrue more than one hundred and twenty (120) days. Days earned after the limit are forfeited.

Compensated absences liability is composed of amounts that are eligible for payout and are payable or that are more likely than not to be used in the future. The estimation of leave that is more likely than not to be used is based on an average of days used over a three (3) year period that includes the year ended June 30, 2025. The estimation of the current liability is based on the days used during the year ended June 30, 2025.

7. *Leases*

A lease liability is reported in the governmental-wide financial statements and is calculated as the present value of the remaining lease payments expected to be paid during the lease term. Additionally, a leased asset, or right of use asset, is recognized that is equal to the lease liability, with a few adjustments for other items that must be reflected in those balances, such as prepaid or deferred rent and amounts required to place the asset into operation at the beginning of the lease. Leased assets are amortized using the straight-line method over the shorter of the asset life or the lease agreement. Lease liabilities are amortized using an effective interest rate method to recognize lease expense and interest expense on the lease.

Lease payments are reported as a lease expenditure in the governmental funds when paid from current financial resources. An interest expense is not recognized in the governmental fund financial statements.

All short-term leases with a maximum noncancelable term of 12 months or less, regardless of whether all noncancelable terms (e.g., renewals) are expected to be exercised, have been excluded from recognition on the statement of financial position.

Certain non-financial asset-based lease agreements are out of scope of reporting, such as leases of intangible assets, leases of biological assets, inventory leases, supply contracts, service concession arrangements, or other certain agreement types, such as assets financed with outstanding conduit debt.



NOTE 1 SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (cont'd)

8. *Subscriptions-Based Information Technology*

A Subscription-Based Information Technology Arrangements (SBITA) is defined in Statement No. 96 of the Governmental Accounting Standards Board (GASB) as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

A right-to-use subscription asset (an intangible asset) and a corresponding subscription liability are recognized for SBITAs. The liability is recognized at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. In the government-wide financial statements (Statement of Activities) amortization of the discount on the subscription liability is reported as interest expense.

The subscription asset is initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. The subscription asset is amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets.

Payments for SBITAs are reported as an expenditure in the governmental funds when paid from current financial resources. Interest and amortization expenses are not recognized in the governmental fund financial statements.

Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITA have been excluded from recognition on the statement of financial position and are recognized as an outflow of resources.

9. *Long-term obligations*

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

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

10. *Pensions*

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

11. *Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Fund (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA. For this purpose, RHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.



NOTE 1 SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (cont'd)

12. *Deferred Outflows/Inflows of Resources*

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

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

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

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

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

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

13. *Fund balance*

a. Non-Spendable

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

b. Restricted

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

c. Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Education should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District had committed fund balance in the amount of \$29,245,545 for expenditures in the subsequent year.

d. Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2025.



NOTE 1 SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e. Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

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

14. *Net Position*

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

a. Net investment in capital assets

This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

b. Restricted Net Position

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

c. Unrestricted Net Position

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

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

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

15. *Indirect Costs*

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

16. *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.



NOTE 1 SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (cont'd)

17. *Inter-fund Transactions*

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

18. *Revenues*

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$128,816,132 in state equalization guarantee distributions during the year ended June 30, 2025.

Transportation Distribution: School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$3,657,471 in transportation distributions during the year ended June 30, 2025.

19. *Tax Abatements*

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements effecting the District. A tax abatement is created when a government enters into an agreement with 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. Accordingly, the District did not have any tax abatements effecting the District during the year ended June 30, 2025.

E. Implementation of New Accounting Principles

During fiscal year 2025, the District adopted the following Governmental Accounting Standards Board (GASB) Statements:

➤ **GASB Statement No. 101, *Compensated Absences***

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (FYE June 30, 2025), and all reporting periods thereafter. Earlier application is encouraged. The effects of this requirement are presented in Note 4.I.

➤ **GASB Statement No. 102, *Certain Risk Disclosures***

State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024 (FYE June 30, 2025), and all reporting periods thereafter. Earlier application is encouraged. The effects of this requirement are presented in Note 4.H.



NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

EXPENDITURE FUNCTION LEVELS

Instruction
 Support services *
 Operation of non-instructional services *
 Capital outlay
 Debt service *
 Non-operating reserves

*** SUBFUNCTIONS**

Support services:
 Students
 Instruction
 General administration
 School administration
 Central services
 Operation & maintenance of plant
 Student transportation
 Other support services
 Operation of non-instructional services:
 Food services operations
 Community services
 Debt service:
 Principal retirement
 Bond interest paid
 Bond issuance costs
 Reserves
 Other

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 superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.
6. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.



STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2025 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	ORIGINAL	FINAL
Major Funds:		
General Funds	\$ 160,895,994	\$ 163,241,641
Special Revenue Funds:		
Food Service	7,280,000	7,280,000
Debt Service Funds:		
GO Debt Service	22,719,061	22,719,061
Nonmajor Funds:		
Special Revenue Funds	12,977,987	15,033,908
Capital Projects Funds	25,529,120	28,517,645
Total Budget	\$ 229,402,162	\$ 236,792,255

B. Deficit Fund Equity

The District had funds with deficit fund balances as of June 30, 2025. The following deficits will be funded by future grants or by the Operational Fund.

FUND	DEFICIT	FUND	DEFICIT
21000 Food Service	\$ (6,388,623)	26109 JF Maddox Foundation	(29,062)
21100 Universal Free Lunch (State funded)	(356,887)	27106 Libraries GO Bond 2010	\$ (1,255)
24101 Title I	(238,508)	27114 Reads to Lead	(623)
24106 Entitlement IDEA-B	(1,321,348)	27149 Pre-K Initiative	(62,563)
24109 Preschool IDEA-B	(19,731)	27155 Breakfast for Elementary Students	(4,365)
24119 21st Century Community Learning Centers	(137,615)	27166 Kindergarten 3-Plus	(67,364)
24153 Title III English Language	(461)	27181 STEM Teacher Initiative	(12,355)
24154 Title II Teacher Quality	(41,593)	27183 New Mexico Grown	(13,362)
24160 Rural & Low-Income Schools	(6,238)	27185 Next Generation Assessments	(5,836)
24176 Carl D Perkins Secondary Redistribution	(306)	27408 K12 Plus ELTP	(195,857)
24189 Academic Achievement Title IV	(95,141)	27502 Next Gen CTE	(505)
24193 Title I - Direct Student Services	(29)	27552 CTE State Wide Innovation	(36)
24308 CRRSA Act - ESSER II	(12,752)	28190 GRADS Instruction	(5,273)
24330 ARP ESSER III	(40,781)	28191 Start Smart K-3+ USU Study	(1,677)
24333 ESSER III - Near Peer Tutoring	(448)	28221 Public School Kitchen Infrastructure	(46,433)
24355 Homeless Emergency Rescue (ARP)	(31,233)	31400 Special Capital Outlay - State	(660,000)



NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

C. Budgetary Violations

The District exceeded its legal operating budget for individual funds during the year ended June 30, 2025 as follows:

FUND		TOTAL FINAL BUDGET	EXPENDITURES	VARIANCE
24189	Academic Achievement Title IV	\$ 170,254	\$ 201,067	\$ (30,813)
24330	ARP ESSER III	-	101,897	(101,897)

The District exceeded its legal budget at the function level in individual funds during the year ended June 30, 2025 as follows:

FUND	FUNCTION	FINAL BUDGET	EXPENDITURE	VARIANCE
11000	Operational Capital outlay	\$ 50,000	\$ 1,832,237	\$ (1,782,237)
15200	Ad Valorem & Oil/Gas Tax Support services	-	1,937	(1,937)
21000	Food Service Operation of non-instructional services	7,280,000	8,398,222	(1,118,222)
24153	Title III English Language Instruction	193,500	258,959	(65,459)
24189	Academic Achievement Title IV Support services	-	80,366	(80,366)
24330	ARP ESSER III Instruction	-	73,357	(73,357)
24330	ARP ESSER III Support services	-	28,540	(28,540)
24333	ESSER III - Near Peer Tutoring Support services	-	1,509	(1,509)
27114	Reads to Lead Instruction	27,500	32,177	(4,677)
31701	Capital Improvements SB-9 (Local) Capital outlay	5,056,742	5,612,594	(555,852)

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and Cash Equivalents

At June 30, 2025, the District's bank deposits reconciled to the amounts reported in the financial statements as follows:

	BALANCE
Financial institution (FDIC):	
Lea County State Bank	\$ 26,673,525
Western Commerce Bank	3,235,344
Wells Fargo	22,766,934
Financial institution (SPIC):	
Wells Fargo	18,039,743
State agencies:	
New Mexico State Treasurer	478,720
Less:	
Net reconciling items	(3,015,415)
Fiduciary cash	(349,021)
Total	\$ 67,829,830
 Governmental Financial Statements	
Cash and cash equivalents	\$ 49,044,223
Investments	18,785,607
Total	\$ 67,829,830



NOTE 3 DETAILED NOTES ON ALL FUNDS (cont'd)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. In the case of accounts located outside the state in which the public unit is located, all deposits, both time and savings deposits and demand deposits, owned by the public unit and held by the public unit's official custodian are added together and insured up to \$250,000. Time and savings deposits are not insured separately from demand deposits. All of the District's deposits are held in depository institutions within the state of New Mexico.

New Mexico State Treasurer - Investments in the state treasurer's general fund investment pool do not require disclosure of specific pledged collateral for amounts held by the state treasurer. However, the state treasurer's separately issued financial statements which disclose the collateral pledged to secure state treasurer cash and investments can be obtained at <https://www.nmsto.gov/reports/audit>.

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The disclosure listed below will meet the New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2025, none of the District's bank deposits were exposed to custodial risk as follows:

	LEA COUNTY STATE BANK	WESTERN COMMERCE BANK	WELLS FARGO BANK	TOTAL
Bank deposits:				
Demand deposits	\$ 23,696,145	\$ 3,235,344	\$ 22,766,934	\$ 49,698,423
Time deposits	267,144	-	-	267,144
Repurchase agreement	2,710,236	-	-	2,710,236
	26,673,525	3,235,344	22,766,934	52,675,803
Insured (FDIC)	(500,000)	(250,000)	(250,000)	(1,000,000)
Uninsured and collateral held by pledging bank's trust dept not in the District's name	(26,173,525)	(2,872,102)	(15,093,871)	(44,139,498)
Uninsured and uncollateralized	\$ -	\$ 113,242	\$ 7,423,063	\$ 7,536,305
State of New Mexico collateral requirement:				
Pledged security	\$ 30,245,763	\$ 2,872,102	\$ 15,093,871	\$ 48,211,736
50% of uninsured public fund bank deposits	(11,731,645)	(1,492,672)	(11,258,467)	(24,482,784)
102% of uninsured public fund bank deposits	(2,764,441)	-	-	(2,764,441)
Over (under) collateralization	\$ 15,749,677	\$ 1,379,430	\$ 3,835,404	\$ 20,964,511

Of the total cash and cash equivalents balance, \$1,000,000 was covered by federal depository insurance and \$44,139,498 was covered by collateral held in joint safekeeping by a third party. The collateral pledged is listed on Schedule of Pledged Collateral in the Other Supplemental Information section of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

Investments

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a written policy for limiting interest rate risk.



NOTE 3 DETAILED NOTES ON ALL FUNDS (cont'd)

The following table shows the distribution of the District's investments by maturity, which displays the sensitivity of the fair values of the District's investments to market rate fluctuations:

	Fair Value	MATURITY			
		30 Days or Less	12 Months or Less	1 to 2 Years	More than 2 Years
Security/Investment Type:					
Certificate of Deposit	\$ 267,144	\$ -	\$ 267,144	\$ -	\$ -
State Investment Pool – 4101 LGIP Fund	478,720	-	478,720	-	-
Money Market Mutual Funds	18,039,743	-	18,039,743	-	-
	<u>\$ 18,785,607</u>	<u>\$ -</u>	<u>\$ 18,785,607</u>	<u>\$ -</u>	<u>\$ -</u>

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. U.S. obligations, investments explicitly guaranteed by the U.S. Government, and non-debt investments are excluded from this requirement. The District's investments in time deposits or investments guaranteed by the U.S government and therefore are excluded from this requirement. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

The District investments, excluding certificates of deposit, held at June 30, 2025 are as follows:

INVESTMENT TYPE	MATURITIES	FAIR VALUE	RATING (S&P)
State Investment Pool – 4101 LGIP Fund	75 Days (WAM-F)	\$ 478,720	AAAm
Money Market Mutual Funds	<1 Year	18,039,743	AAAm
		<u>\$ 18,518,463</u>	

Concentration Credit Risk

For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the District. External investment pools, such as the LGIP (New Mexico State Treasurer), are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure. The investments in the Negotiable Certificates of Deposits and Wells Fargo Money Market Mutual Funds represent 2.6% and 92.6% of the District's investment portfolio. 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 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).

Foreign Currency Risk

Foreign currency risk as the potential that changes in exchange rates may adversely affect the fair value of an investment or deposit. The District does not have any foreign currency risk as all investments are denominated in US dollars.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

Level 1 inputs are observable, quoted prices for identical assets or liabilities in active markets;

Level 2 inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices e.g. interest rates and yield curves;

Level 3 inputs are unobservable inputs for the asset or liability. These should be based on the best information available. The District should utilize all reasonably available information, but need not incur excessive cost or effort to do so. However, it should not ignore information that can be obtained without undue cost and effort. As such, the District's own data should be adjusted if information is reasonably available without undue cost and effort.



NOTE 3 DETAILED NOTES ON ALL FUNDS (cont'd)

The fair value inputs used to value the District's investments (other than certificates of deposits) at June 30, 2025 were as follows:

FAIR VALUE INPUTS			
Level 1	Level 2	Level 3	Total
\$ 18,039,743	\$ -	\$ -	\$ 18,039,743

Investments held by the New Mexico State Treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool (LGIP) is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2025. The State of New Mexico is regulatory oversight entity and participation in the pool is voluntary.

B. Receivables

Receivables as of June 30, 2025 for the government's individual major funds and non-major funds in the aggregate, including the following:

	RECEIVABLES			Due From
	Taxes	Intergovernmental	Other	Other Funds
Major Funds:				
General Funds	\$ 155,395	\$ -	\$ 10,354	\$ 11,671,466
Food Service	-	529,555	-	13,457
GO Debt Service	1,834,833	-	-	-
Other Governmental Funds	<u>2,001,616</u>	<u>2,178,005</u>	<u>182</u>	<u>721,464</u>
Total	<u>\$ 3,991,844</u>	<u>\$ 2,707,560</u>	<u>\$ 10,536</u>	<u>\$ 12,406,387</u>

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

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

	UNEARNED	UNAVAILABLE
Grant drawdowns prior to meeting all eligibility requirements		
Other Governmental Funds	\$ 81,095	\$ -
Property taxes not available		
General Fund	-	16,734
GO Debt Service	-	258,269
Other Governmental Funds	-	281,176
Total	<u>\$ 81,095</u>	<u>\$ 556,179</u>



NOTE 3 DETAILED NOTES ON ALL FUNDS (cont'd)

C. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2025 were:

PAYABLE FROM		PAYABLE TO		AMOUNT
21000	Food Service	11000	Operational	\$ 6,910,523
21100	Universal Free Lunch (State funded)	11000	Operational	749,570
21100	Universal Free Lunch (State funded)	21000	Food Service	13,457
23000	Non-Instructional Support	11000	Operational	5,013
23000	Non-Instructional Support	22000	Athletics	61,464
24101	Title I	11000	Operational	789,999
24106	Entitlement IDEA-B	11000	Operational	1,492,974
24109	Preschool IDEA-B	11000	Operational	19,731
24119	21st Century Community Learning Centers	11000	Operational	136,977
24153	Title III English Language	11000	Operational	192,889
24154	Title II Teacher Quality	11000	Operational	75,077
24160	Rural & Low-Income Schools	11000	Operational	52,516
24176	Carl D Perkins Secondary Redistribution	11000	Operational	306
24189	Academic Achievement Title IV	11000	Operational	95,141
24193	Title I - Direct Student Services	11000	Operational	29
24308	CRRSA Act - ESSER II	11000	Operational	12,752
24333	ESSER III - Near Peer Tutoring	11000	Operational	448
24355	Homeless Emergency Rescue (ARP)	11000	Operational	31,233
25153	Title XIX Medicaid	11000	Operational	236,949
26109	JF Maddox Foundation	11000	Operational	29,062
27106	Libraries GO Bond 2010	11000	Operational	1,255
27114	Reads to Lead	11000	Operational	12,732
27149	Pre-K Initiative	11000	Operational	277,615
27155	Breakfast for Elementary Students	11000	Operational	4,365
27166	Kindergarten 3-Plus	11000	Operational	67,364
27181	STEM Teacher Initiative	11000	Operational	12,355
27183	New Mexico Grown	11000	Operational	13,362
27185	Next Generation Assessments	11000	Operational	5,836
27407	Family Income Index	11000	Operational	20,430
27408	K12 Plus ELTP	11000	Operational	195,857
27502	Next Gen CTE	11000	Operational	60,913
27522	NM Government Results & Opportunities FY25	11000	Operational	79,956
27552	CTE State Wide Innovation	11000	Operational	30,677
27584	Attendance Success Initiative	11000	Operational	4,664
28190	GRADS Instruction	11000	Operational	4,786
28191	Start Smart K-3+ USU Study	11000	Operational	1,677
28221	Public School Kitchen Infrastructure	11000	Operational	46,433
31400	Special Capital Outlay - State	31600	Capital Improvements HB-33	660,000
Total				\$ 12,406,387

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



NOTE 3 DETAILED NOTES ON ALL FUNDS (cont'd)

D. Inter-Fund Transfers

The District did not have any inter-fund transfer during the year ended June 30, 2025.

E. Capital Assets and Other Long-term Assets

Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	BEGINNING		BEGINNING	INCREASES		DECREASES	ENDING
	BEGINNING	RESTATEMENT	BALANCE				BALANCE
Governmental activities:							
<u>Capital assets not being depreciated:</u>							
Land	\$ 4,274,147	\$ -	\$ 4,274,147	\$ 816,649	\$ -	\$ -	\$ 5,090,796
Construction in progress	18,684,752	-	18,684,752	7,987,603	(22,268,101)		4,404,254
Total capital assets not being depreciated	22,958,899	-	22,958,899	8,804,252	(22,268,101)		9,495,050
<u>Capital assets being depreciated:</u>							
Land Improvements	7,587,303	-	7,587,303	112,572	-		7,699,875
Buildings and improvements	283,053,291	-	283,053,291	24,348,760	(5,160)		307,396,891
Furniture, fixtures, and equipment	34,435,050	-	34,435,050	3,426,567	(1,331,802)		36,529,815
Total capital assets being depreciated	325,075,644	-	325,075,644	27,887,899	(1,336,962)		351,626,581
<u>Less accumulated depreciation for:</u>							
Land Improvements	(4,707,988)	-	(4,707,988)	(419,323)	-		(5,127,311)
Buildings and improvements	(130,387,536)	3,952,513	(126,435,022)	(8,803,660)	5,160		(135,233,522)
Furniture, fixtures, and equipment	(21,857,844)	238,768	(21,619,076)	(1,641,927)	1,327,474		(21,933,529)
Total accumulated depreciation	(156,953,368)	4,191,281	(152,762,086)	(10,864,910)	1,332,634		(162,294,362)
Total capital assets being depreciated, net	168,122,276	4,191,281	172,313,558	17,022,989	(4,328)		189,332,219
Total capital assets, net	\$ 191,081,175	\$ 4,191,281	\$ 195,272,457	\$ 25,827,241	\$ (22,272,429)		\$ 198,827,269

Right of Use Assets – Subscription Based IT Arrangements

The activity of right-of-use assets associated with subscription-based IT obligations for the year ended June 30, 2025 was as follows:

	BEGINNING		INCREASES		DECREASES	ENDING
	BALANCE					BALANCE
Governmental activities:						
<u>Right of use assets - SBITA being amortized:</u>						
Subscription based IT software	\$ 1,695,430	\$ -	\$ -	\$ -	\$ -	\$ 1,695,430
<u>Less accumulated amortization for:</u>						
Subscription based IT software	(210,414)	(279,368)	-	-	-	(489,782)
Total right of use assets - SBITA, net	\$ 1,485,016	\$ (279,368)	\$ -	\$ -	\$ -	\$ 1,205,648



NOTE 3 DETAILED NOTES ON ALL FUNDS (cont'd)

Depreciation and Amortization

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

	BALANCE
Instruction	\$ 5,509,546
Support Services - Students	1,413,827
Support Services - Instruction	430,755
Support Services - General Administration	137,757
Support Services - School Administration	705,551
Central Services	297,936
Operations & Maintenance of Plant	1,506,606
Student Transportation	271,441
Food Services	870,859
Total	\$ 11,144,278

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

Construction commitments

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

F. Long-Term Debt

Subscription-based IT Arrangement Obligations

The District has six (6) IT subscriptions reported as subscription-based IT arrangement (SBITA) obligations as of June 30, 2025. The subscriptions are primarily for the support of education (texts, testing, and learning assistance) and for the administration of education. The obligations are amortized over 3 to 6 years. Most of the subscriptions are annual renewals that the District expects to renew and continue utilizing. The subscriptions payments range from \$8,780 to \$182,104. The SBITA obligations have an interest rate of 5.00% (District's estimated incremental borrowing rate). The District has additional subscriptions that have an individual net present value less than \$41,000 and have not been recognized as future obligations due to the nature of the agreements being immaterial to the financial statements.

The SBITA obligation balances as of June 30, 2025 are as follows:

ORIGINAL AMOUNT	INTEREST RATE	BALANCE	CURRENT PORTION
\$ 1,695,430	5.00%	\$ 1,067,237	\$ 307,324

The future minimum lease obligation payments by year are as follows:

YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2026	\$ 307,324	\$ 54,602	\$ 361,926
2027	323,550	38,879	362,429
2028	235,530	22,325	257,855
2029	200,833	10,275	211,108
2030	-	-	-
Total	\$ 1,067,237	\$ 126,081	\$ 1,193,318

The details of the carrying value of the assets associated with the SBITA obligations as of June 30, 2024 are detailed in Note 3E.



NOTE 3 DETAILED NOTES ON ALL FUNDS (cont'd)

General Obligation Bonds – The District issues general obligation bonds for the purpose of erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [22-24-1 NMSA 1978], or any combination of these purposes. There are not any District assets pledged as collateral for this debt. The Bonds are secured by the District's full faith and credit and are general obligations of the District payable from ad valorem taxes levied against property owners living within the District's boundaries. There are not any District assets pledged as collateral for the general obligations

The details of the bonds and notes as of June 30, 2025 are as follows:

BOND ISSUES	BOND MATURITY	ORIGINAL AMOUNT	INTEREST RATES	BALANCE	CURRENT PORTION
Series 2010	04/16/10 Apr 2026	\$ 20,000,000	2.75% to 4.00%	\$ -	\$ -
Series 2014A	11/20/14 Sep 2028	9,000,000	3.00% to 5.00%	2,165,000	1,685,000
Series 2015	05/26/15 Sep 2025	7,000,000	2.00% to 3.50%	740,000	740,000
Series 2016	08/24/16 Sep 2028	7,615,000	1.00% to 2.50%	6,485,000	160,000
Series 2021	09/30/21 Sep 2030	10,615,000	4.00% to 5.00%	3,580,000	725,000
Series 2022	06/01/22 Sep 2031	9,900,000	2.84% to 3.29%	9,125,000	375,000
Series 2023	05/03/23 Sep 2033	7,615,000	5.00% to 5.00%	2,120,000	145,000
Series 2024	05/30/24 Sep 2028	9,325,000	5.00% to 5.00%	9,325,000	5,055,000
Total		\$ 81,070,000		\$ 33,540,000	\$ 8,885,000

Annual debt service requirements to maturity for debt obligations are as follows:

YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2026	\$ 8,885,000	\$ 1,074,729	\$ 9,959,729
2027	7,570,000	717,860	8,287,860
2028	5,880,000	483,147	6,363,147
2029	4,440,000	303,436	4,743,436
2030	3,620,000	154,438	3,774,438
2031 - 2032	3,145,000	85,657	3,230,657
Total	\$ 33,540,000	\$ 2,819,267	\$ 36,359,267

In-Substance Defeasance

On November 21, 2023, the District paid into an irrevocable escrow from the Debt Service Fund (41000) in the amount of \$3,424,991. Of this amount, \$3,095,000 will be used to call the principal payments of GO Series 2021 on September 15, 2026 for amounts that would have matured September 15, 2027, September 15, 2028, and September 15, 2031. The remaining amount of \$329,991 along with earnings in the escrow account will be used to make interest payments until the call date.

On December 5, 2024, the District paid into an irrevocable escrow from the Debt Service Fund (41000) in the amount of \$4,095,797. Of this amount, \$1,820,000 will be used to call the principal payments of GO Series 2021 on September 15, 2026 for amounts that would have matured September 15, 2029 and September 15, 2030. Additionally, an amount of \$1,905,000 will be used to make the regularly scheduled payment due September 15, 2030 for GO Series 2023 and to call the principal payment on September 15, 2031 for amount that would have matured September 15, 2033. The remaining amount of \$329,991 along with earnings in the escrow account will be used to make interest payments until the call date.

The balances of the in-substance defeased bonds as of June 30, 2025 are not included in the financial statements but are disclosed as follows:

BOND	DEFEASED AMOUNT	DATE DEFEASED	CALL DATE	OUTSTANDING BALANCE
2021	\$ 3,095,000	October 6, 2023	September 15, 2026	\$ 3,095,000
2021	1,820,000	December 5, 2024	September 15, 2026	1,820,000
2023	1,905,000	December 5, 2024	September 15, 2026	1,905,000
				\$ 6,820,000



NOTE 3 DETAILED NOTES ON ALL FUNDS (cont'd)

These bonds will be paid from the irrevocable escrow at the due dates of the series or call date as indicated in the bond agreements. The funds within the escrow have been invested in direct obligations of the United States of America, which do not contain provisions permitting the redemption thereof at the option of the District.

Changes in long term debt – During the year ended June 30, 2025 the following changes occurred in long-term liabilities:

			BEGINNING				ENDING	DUE WITHIN
			BALANCE	ADDITIONS	RETIREMENTS	ADJUSTMENTS	BALANCE	ONE YEAR
Bonds and Notes Payable								
Original amount	Issue							
\$ 20,000,000	2010		\$ 3,000,000	\$ -	\$ 3,000,000	\$ -	\$ -	\$ -
9,000,000	2014A		3,970,000	-	1,805,000	-	2,165,000	1,685,000
7,000,000	2015		1,450,000	-	710,000	-	740,000	740,000
7,615,000	2016		6,635,000	-	150,000	-	6,485,000	160,000
10,615,000	2021		5,640,000	-	2,060,000	-	3,580,000	725,000
9,900,000	2022		9,575,000	-	450,000	-	9,125,000	375,000
7,615,000	2023		7,615,000	-	5,495,000	-	2,120,000	145,000
9,325,000	2024		9,325,000	-	-	-	9,325,000	5,055,000
Total Bonds payable			47,210,000	-	13,670,000	-	33,540,000	8,885,000
Other Long-Term Liabilities								
Compensated absences			2,375,015	3,404,603	3,406,440	-	2,373,178	1,940,651 *
Subscription obligations			1,351,088	-	283,851	-	1,067,237	307,324
Pension liability			169,053,502	-	14,536,962	11,305,904	165,822,444	15,257,973 **
OPEB liability			22,338,071	-	1,601,164	1,701,655	22,438,562	1,685,354 **
			<u>\$ 242,327,676</u>	<u>\$ 3,404,603</u>	<u>\$ 33,498,417</u>	<u>\$ 13,007,559</u>	<u>\$ 225,241,421</u>	<u>\$ 28,076,302</u>

* Compensated absences beginning balance has been restated, increased, by \$1,525,872 for the implementation of GASB 101. See Note 4.I

** Deferred outflow of resources related to pension and OPEB liabilities

Deferred Gain on Refunding

Gain on bond refunding	\$ 1,949,128	\$ -	\$ -	\$ -	\$ 1,949,128	\$ -
Amortization	(1,714,040)	(39,181)	-	-	(1,753,221)	39,181
	<u>\$ 235,088</u>	<u>\$ (39,181)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,907</u>	<u>\$ 39,181</u>

Other long-term liabilities will be liquidated with resources from the general fund and several special revenue funds. The liquidation of bonds payable is done with resources from the debt service fund. Balances shown for bonds and notes do not include unamortized premiums or deferred amounts on refinancing.

	BALANCE
Bonds payable	\$ 33,540,000
Less:	
Current maturities	(8,885,000)
Unamortized:	
Bond premiums	1,325,566
Total bonds due in more than one year	<u>\$ 25,980,566</u>



NOTE 3 DETAILED NOTES ON ALL FUNDS (cont'd)

The detail of interest payable as of June 30, 2025 are as follows:

	BALANCE
SBITA obligations	\$ 47,922
GO bonds	373,831
Total	\$ 421,753

G. Net Investment in Capital Assets

The net investment in capital assets is detailed below and results in a net investment in capital assets as the carrying value of the capital assets are greater than outstanding debt used to acquire them. Education technology notes have been excluded from the calculation since these notes are primarily associated with assets that are not capitalized.

	BALANCE
Total capital assets and ROU assets, net	\$200,032,917
Outstanding capital related debt:	
Bonds and notes payable	\$ 33,540,000
Bond premiums	1,325,566
Less:	
Unspent bond proceeds	(7,133,322)
Deferred gain on bond refunding	195,907
	(27,928,151)
Outstanding obligations related to ROU assets:	
Subscriptions with right of use assets	(1,067,237)
Net investment in capital assets	\$171,037,529

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMPSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2025.



NOTE 4 OTHER INFORMATION (cont'd)

B. Employee Retirement Plan

Plan Description - Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, Sections 1 through 52, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the New Mexico Educational Employees' Retirement Plan (Plan), which is a cost-sharing multiple-employer defined benefit retirement plan. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained at:

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

Membership in the Plan is a condition of employment. Employees of public schools, universities, regional cooperatives, special schools and state agencies providing educational programs, who are employed at more than 25% of a full-time equivalency, are required to be members of the Plan. There were 172,680 active, retired, and inactive members in fiscal year 2022; there were 171,033 active, retired, and inactive members in fiscal year 2021. Contributing employers by reporting category for fiscal year 2024 are as follows:

MEMBERSHIP STATUS	
Active Working Members	62,970
Retirees and Beneficiaries Currently Receiving Benefits	55,706
Inactive Members, Vested	13,480
Inactive Members, Nonvested	40,524
Total	172,680

Benefits Provided - The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. Benefits are based on three components: Final Average Salary (FAS), years of both earned and allowed service credits, and a 2.35% factor. The gross annual benefit is determined by multiplying the three components together. FAS is the higher of annual earnings for the previous 20 calendar quarters prior to retirement or the highest average annual earnings for any 20 consecutive calendar quarters.

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

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

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

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

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



NOTE 4 OTHER INFORMATION (cont'd)

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

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

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

As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. All other retirees will have a 20%

COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

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

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

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

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

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



NOTE 4 OTHER INFORMATION (cont'd)

Contributions

Educational employers contributed to the pension plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2025	07/01/2024 to 06/30/2025	Over \$24K	10.70%	18.15%	28.85%	0.00%
		\$24K or Less	7.90%	18.15%	26.05%	0.00%
2024	07/01/2023 to 06/30/2024	Over \$24K	10.70%	18.15%	28.85%	1.00%
		\$24K or Less	7.90%	18.15%	26.05%	1.00%

The District's contributions to ERB for the fiscal year ending June 30, 2024 (measurement date) was \$14,536,962, which equal the amount of the required contributions.

Employers

The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 220 contributing employers in fiscal year 2024; there were 220 contributing employers in fiscal year 2023. Contributing employers by reporting category for the fiscal year 2024 are as follows:

Employer Category	
Charter Schools	100
Public Schools	89
State Agencies	11
Universities and Colleges	16
Special Schools	4
Total	220

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

At June 30, 2025, the District reported a liability of \$165,822,444 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024 (pension measurement date), the District's proportion was 1.88692 percent compared to 1.94666 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense/(income) as follows:

PENSION INCOME CALCULATION	
Net pension liability - end of the year	\$ 165,822,444
Net pension liability - beginning of the year	(169,053,502)
Deferred outflows of resources during the year	(4,559,035)
Deferred inflows of resources during the year	(14,946,275)
Reductions to ending net pension liability due contributions paid	14,536,962
Total Pension Income	\$ (8,199,406)



NOTE 4 OTHER INFORMATION (cont'd)

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OUTFLOWS	INFLOWS
Difference between expected and actual experience	\$ 13,521,894	\$ 367,626
Change of assumptions	-	4,345,771
Net difference between projected and actual earnings on pension plan investments	-	5,023,072
Changes in proportion and differences between District contributions and proportionate share of contributions	3,271,184	4,487,244
District contributions subsequent to the measurement date	15,257,973	-
Total	\$ 32,051,051	\$ 14,223,713

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date (above) will be recognized as a reduction of the net pension liability in the next fiscal year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

JUNE 30,	AMORTIZATION
2026	\$ 2,179,458
2027	(6,866,416)
2028	757,537
2029	1,360,056
2030	-
Thereafter	-
Total	\$ (2,569,365)

Actuarial Assumptions

A single discount rate of 7.00% was used to measure the total pension liability as of June 30, 2024. This single discount rate was based on an expected rate of return on pension plan investments of 7.00%. Based on the assumptions described below and the projection of cash flows, pension plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. The long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2024. The total pension liability was rolled forward from the valuation date to the Plan's year ended June 30, 2024 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2020. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2024. The liabilities reflect the impact of the new assumptions adopted by the Board of Trustees on April 21, 2020 as well as the change in the single discount rate between June 30, 2023 and June 30, 2024. Specifically, the liabilities measured as of June 30, 2024 incorporate the following assumptions:

- 1) All members with an annual salary of more than \$24,000 will contribute 10.70% during the fiscal year ending June 30, 2020 and thereafter.
- 2) All members with an annual salary of \$24,000 or less will contribute 7.90% during the fiscal year ending June 30, 2020 and thereafter.
- 3) Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their Cost of Living Adjustment (COLA) will be deferred until age 67.
- 4) COLAs for most retirees are reduced until ERB attains a 100% funded status.
- 5) The new assumptions adopted by the Board on April 21, 2020 in conjunction with the change in the single discount rate, and
- 6) For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.



NOTE 4 OTHER INFORMATION (cont'd)

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

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level Percentage of Payroll
Remaining Period:	Amortized - closed 30 years from June 30, 2019 to June 30, 2049
Asset Valuation Method:	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation:	2.30%
Salary Increases:	Composition: 2.30% inflation, plus 0.70% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return:	7.00% (2.30% inflation rate and a 4.70% real rate of return)
Single Discount Rate:	7.00%
Retirement Age:	Experience based table of age and service rates
Mortality:	Healthy Males – 2020 GRS Southwest Region Teacher Mortality Table, set back one year and scaled at 95%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020. Healthy Females – 2020 GRS Southwest Region Teacher Mortality Table, set back one year and scaled at 95%. Generational mortality improvements in accordance with the Ultimate MP scales are projected from the year 2020.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2024 for 30-year return assumptions are summarized in the following table:

ASSET CLASS	LONG-TERM EXPECTED REAL RATE OF RETURN
Cash	4.20%
US Large-Cap Equity	4.00%
US Small/Mid-Cap Equity	6.20%
Non-US Developed Equity	4.50%
Non-US Developed Equity (USD Hedge)	4.70%
Emerging Market Equity	7.80%
Private Equity*	7.50%
US TIPS	4.80%
US Treasury Bond	4.60%
US Corporate Bond	5.70%
US Mortgage-Backed Securities	4.80%
US Aggregate Bond (Core Bonds)**	5.00%
US High Yield Corporate Bond	6.30%
US Leveraged Loan (Bank Loans)	7.40%
Emerging Market External Debt	7.70%
Emerging Market Local Currency Debt	6.90%
Global Government Bond	3.40%
Global Government Bond (USD Hedge)	3.50%
Private Debt - Credit Opportunities	7.70%
Commodity Futures	4.40%
Real Estate - Core	6.00%
Private Real Assets***	7.90%
Hedge Fund - Macro	5.60%



NOTE 4 OTHER INFORMATION (cont'd)

Rate of Return

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

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

These items are developed for each major asset class.

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

The following table shows the sensitivity of the net pension liability to changes in the discount rate for the pension measurement of June 30, 2024, 2023, and 2022. In particular, the table presents the Plan's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower or one percentage point higher than the single discount rate.

CURRENT SINGLE RATE					
	Discount		Single Rate		
	Rate	1% Decrease	Assumption	1% Increase	
ERB (All Employers)					
2024	7.00%	\$ 12,083,987,125	\$ 8,787,955,457	\$ 6,060,164,084	
2023	7.00%	11,805,547,098	8,684,285,003	6,105,755,256	
2022	7.00%	11,419,137,344	8,421,711,477	5,944,381,908	
Hobbs Municipal Schools					
2024	7.00%	\$ 228,015,170	\$ 165,822,444	\$ 114,350,448	
2023	7.00%	229,813,863	169,053,502	118,858,295	
2022	7.00%	214,156,786	157,942,461	111,482,127	

C. Post-Retirement Health Care Benefits

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

Retiree Health Care Authority
 4308 Carlisle NE, Suite 104
 Albuquerque, NM 87107
www.nmrhca.org

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



NOTE 4 OTHER INFORMATION (cont'd)

Eligible retirees are:

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

There were 159,125 active, retired, surviving spouses, and inactive members in fiscal year 2024; there were 157,371 active, retired, surviving spouses, and inactive members in fiscal year 2023. Contributing employers by reporting category for fiscal year 2024 are as follows:

Membership Status	
Current retirees and surviving spouses	52,978
Inactive and eligible for deferred benefit	12,552
Current active members	93,595
Total	159,125

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from RHCA or viewed on their website at www.nmrhca.org.

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

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

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



NOTE 4 OTHER INFORMATION (cont'd)

Contributions

Educational employers contributed to the pension plan based on the following rate schedule.

Fiscal Year	Date Range	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2025	07/01/2024 to 06/30/2025	1.00%	2.00%	3.00%	0.00%
2024	07/01/2023 to 06/30/2024	1.00%	2.00%	3.00%	0.00%

The District's contributions to RHCA for the fiscal year ending June 30, 2024 (measurement date) was \$1,601,164, which equal the amount of the required contributions.

Employers - The Educational Retirement Act designates employers as Local Administrative Units, directly responsible for payment of compensation for the employment of members or participants of this Plan. There were 302 contributing employers in fiscal year 2024; there were 302 contributing employers in fiscal year 2023.

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

At June 30, 2025, the District reported a liability of \$22,438,562 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024 (measurement date), the District's proportion was 1.2572 percent compared to 1.31174 percent at measured date of June 30, 2023.

For the year ended June 30, 2025, the District recognized OPEB expense/(income) as follows:

OPEB INCOME CALCULATION	
Net OPEB liability - end of the year	\$ 22,438,562
Net OPEB liability - beginning of the year	(22,338,071)
Deferred outflows of resources during the year	2,229,945
Deferred inflows of resources during the year	(7,218,206)
Reductions to ending net OPEB liability due contributions paid	1,601,164
Total OPEB Income	\$ (3,286,606)

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OUTFLOWS	INFLOWS
Difference between expected and actual experience	\$ 240,475	\$ 2,343,806
Change of assumptions	4,198,817	14,229,122
Net difference between projected and actual earnings on OPEB plan investments	200,579	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,303,328	1,856,910
District contributions subsequent to the measurement date	1,685,354	-
Total	\$ 9,628,553	\$ 18,429,838



NOTE 4 OTHER INFORMATION (cont'd)

Deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date (above) will be recognized as a reduction of the net OPEB liability in the next fiscal year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

JUNE 30,	AMORTIZATION
2026	\$ 2,440,341
2027	4,132,072
2028	3,201,095
2029	783,977
2030	(70,846)
Thereafter	-
Total	\$ 10,486,639

Actuarial Assumptions

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2070.

A blended rate of the assumed investment return on Plan assets (e.g. 7.00% for the June 30, 2024 valuation) and the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (e.g. 3.65% as of June 30, 2024). The 7.00% discount rate was used to calculate the net OPEB liability through June 30, 2070. Benefit payments after June 30, 2070 are then discounted by the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, currently 3.54%. The blended discount rate of 6.22% was used to measure the total OPEB liability as of June 30, 2024.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions:

Valuation Date:	June 30, 2023
Actuarial Cost Method:	Entry age normal, level percent of pay, calculated on individual employee basis
Amortization Method:	30-year open-ended amortization, level percent of payroll
Remaining Period:	30 years as of June 30, 2019
Asset Valuation Method:	Market value of assets

Actuarial assumptions

Inflation:	2.30% for ERB; 2.50% for PERA
Projected Salary Increases:	3.00% to 13.00% based on years of service, including inflation
Investment Rate of Return:	7.00%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Discount Rate	7.00%
Health Care Cost Trend Rate:	8.00% graded down to 4.50% over 14 years for Non-Medicare medical plan costs and 8.50% graded down to 4.50% over 15 for Medicare medical plan costs



NOTE 4 OTHER INFORMATION (cont'd)

Rate of Return

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

ASSET CLASS	LONG-TERM EXPECTED REAL RATE OF RETURN %
U.S. core fixed income	1.6
U.S. equity - large cap	6.9
Non U.S. - emerging markets	8.7
Non U.S. - developed equities	7.2
Private equity	9.9
Credit and structured finance	3.7
Real estate	3.6
Absolute return	3.2
U.S. equity - small/ mid cap	6.9

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

The following table shows the sensitivity of the net OPEB liability to changes in the discount rate as of the OPEB measurement of June 30, 2024, 2023, and 2022. In particular, the table presents the Plan's net OPEB liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the single discount rate.

CURRENT SINGLE RATE				
	Discount Rate	1% Decrease	Single Rate Assumption	1% Increase
RHCA (All Employers)				
2024	7.00%	\$ 2,250,750,304	\$ 1,784,800,039	\$ 1,402,840,927
2023	6.22%	2,146,981,727	1,702,935,655	1,342,994,641
2022	5.42%	2,876,647,742	2,311,603,052	1,861,093,455
Hobbs Municipal Schools				
2024	7.00%	\$ 28,296,504	\$ 22,438,562	\$ 17,636,560
2023	6.22%	28,162,797	22,338,071	17,616,584
2022	5.42%	36,112,258	29,018,918	23,363,405



NOTE 4 OTHER INFORMATION (cont'd)

The following presents the Net OPEB Liability of RHCA as of the measurement date of June 30, 2024, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is one percentage point lower (1% decrease) or one percentage point higher (1% increase) than the health cost trend rates used:

HEALTH COST TREND RATE				
	1% Decrease	Current Trend Rates	1% Increase	
RHCA (All Employers)				
2024 \$	1,379,274,113	\$ 1,784,800,039	\$ 2,826,241,240	
Hobbs Municipal Schools				
2024 \$	17,340,278	\$ 22,438,562	\$ 35,531,594	

D. Joint Powers Agreements

Veteran's Memorial Complex Agreement

Participants:	City of Hobbs Hobbs Municipal School District
Responsible party:	All participants
Description:	The District has entered into a joint powers agreement with the City of Hobbs. The purpose of the agreement is convey, transfer, and assigned to the City an undivided one-half interest of the District's rights, title and interest in specified property. The District has exclusive use of the Varsity, Junior Varsity, and Sanger fields from the beginning of the High School baseball and softball seasons until the termination of those seasons.
Begin date:	July 20, 2009
Ending date:	This agreement is to continue for 1 year, and thereafter as mutually agreeable by both parties.
Estimated amount of project:	Not Applicable
Amount contributed:	\$112,140
Audit responsibility:	Each Participant
Fiscal agent:	Not Applicable

Rockwind Community Links Agreement

Participants:	City of Hobbs Hobbs Municipal School District
Responsible party:	All participants
Description:	The agreement is to provide the usage, access, and participation of Hobbs High School golf teams at Rockwind Community Links, which is property of the City of Hobbs.
Begin date:	March 17, 2015
Ending date:	As long as mutually agreeable by all parties
Estimated amount of project:	Not Applicable
Amount contributed:	Not Applicable
Audit responsibility:	Each Participant
Fiscal agent:	Not Applicable



NOTE 4 OTHER INFORMATION (cont'd)

Regional Education Cooperative No. 7 Agreement

Participants:	Regional Education Cooperative No. 7 Hobbs Municipal School District Eunice Municipal School District Tatum Municipal School District Jal Municipal School District
Responsible party:	All participants
Description:	The District has entered into a joint powers agreement with several school districts in Lea County to form the Regional Education Cooperative No. 7 (Cooperative). The purpose of the Cooperative is to allow each school district to receive certain federal program money for which it is eligible. The District receives money from the Cooperative for IDEAB Entitlement and IDEA-B Preschool programs and accounts for the money in the IDEA-B Entitlement and IDEA-B Preschool Special Revenue Funds. The District also receives Medicaid reimbursements from the Cooperative. The District provides accounting services for the Cooperative and accounts for its activity in a separate deposit account. The Cooperative issues a separate, publicly available audited financial report. The audited financial report for the Cooperative may be obtained by writing to the Regional Education Cooperative No. 7, 315 E. Clinton, Hobbs, NM 88240.
Begin date:	July 1, 2002
Ending date:	A Member District must notify Regional Education Cooperative No. 7 of any intention to withdraw its agreement to have Regional Education Cooperative No. 7 serve as its fiscal agent on or before February 1 st preceding the end of the last fiscal year it intends to have Regional Education Cooperative No. 7 serve as its fiscal agent.
Estimated amount of project:	Not Applicable
Amount contributed:	Approximately \$10,000
Audit responsibility:	Regional Education Cooperative No. 7
Fiscal agent:	Regional Education Cooperative No. 7

Middle School Athletic Programs

Participants:	City of Hobbs Hobbs Municipal School District
Responsible party:	All participants
Description:	The District has entered into a joint powers agreement with the City of Hobbs. The purpose of the agreement is to operate football, volleyball, and basketball programs for 6th and 7th grade students. The District shall perform the necessary services toward promoting these activities in the community, which includes providing facilities for operation, equipment, hire and maintain a program coordinator and staff to service the activities, news releases, maintain daily records of activities and number of participants, and cleanliness of the facilities.
Begin date:	July 1, 2011
Ending date:	This agreement is to continue for 1 year, and thereafter as mutually agreeable by both parties
Estimated amount of project:	Not Applicable
Amount contributed:	Not Applicable
Audit responsibility:	Each Participant
Fiscal agent:	Not Applicable



NOTE 4 OTHER INFORMATION (cont'd)

School Resource Officer

Participants:	City of Hobbs Hobbs Municipal School District
Responsible party:	All participants
Description:	The agreement is to provide the usage, access and participation of the City of Hobbs Police Security to add extra security to our district.
Begin date:	May 5, 2010
Ending date:	This agreement is to continue as mutually agreeable by both parties
Estimated amount of project:	Not Applicable
Amount contributed:	\$12,000
Audit responsibility:	Each Participant
Fiscal agent:	Not Applicable

Southeastern New Mexico Educational Resource Center Agreement

Participants:	Hobbs Municipal School District Artesia Public Schools Eunice Public Schools Hagerman Municipal Schools Jal Public Schools Lake Arthur Municipal Schools Loving Municipal Schools Lovington Municipal Schools Tatum Municipal Schools Dexter Consolidated Schools
Responsible party:	All participants
Description:	The District has entered into a joint powers agreement with a group consisting of public school systems in Southeastern New Mexico to form the Southeastern New Mexico Educational Resource Center (SENMERC). The purpose of SENMERC is to provide teacher training and science kits to the members' students. Pecos Valley Regional Cooperative Center No. 8 serves as the fiscal agent for SENMERC.
Begin date:	October 11, 2001
Ending date:	Any party can terminate participation by providing thirty days written notice.
Estimated amount of project:	Not Applicable
Amount contributed:	Not Applicable
Audit responsibility:	Each Participant
Fiscal agent:	Pecos Valley Regional Education Cooperative No. 8



NOTE 4 OTHER INFORMATION (cont'd)

Development of Neighborhood Parks

Participants:	City of Hobbs Hobbs Municipal School District
Responsible party:	All participants
Description:	Unification of Resources in the Development of Neighborhood Parks and School Land Agreement - The District and the City agree to unify their resources in the development of neighborhood parks on school land at Sanger, Mills and Coronado Elementary schools to be used by the citizens of the city, both adults and students in enhancing community recreational programs.
Begin date:	August 5, 1974
Ending date:	This agreement is to continue for 25 years, and thereafter as mutually agreeable by both parties
Estimated amount of project:	Not Applicable
Amount contributed:	\$7,500
Audit responsibility:	Each Participant
Fiscal agent:	Not Applicable

E. Commitments

Commitments are agreements to perform in the future. Commitments consist of all obligations of the District for future fiscal years. The District had significant commitments outstanding as of the year ended June 30, 2025, as follows:

PROJECT	PROJECTED COST	ESTIMATED COMPLETION	PAID TO DATE	REMAINING COMMITMENT
Heizer Middle School	\$ 2,875,444	07/27/27	\$1,931,583	\$ 943,861
New Middle School (Del Norte)	3,319,480	07/01/27	2,269,450	1,050,029
CTECH CAI IDF New HVAC Unit	53,584	06/27/25	26,300	27,284
Central Kitchen Freezer Doors	68,551	09/23/25	34,223	34,329
Jefferson Interroom Cabling	42,744	07/28/25	17,739	25,005
Jefferson Cabling	205,544	07/28/25	124,959	80,584
Total	\$ 6,565,347		\$ 4,404,254	\$ 2,161,093

F. Contingent Liabilities

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

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

G. Cash Flows

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



NOTE 4 OTHER INFORMATION (cont'd)

H. Concentration of Financial Resource Provider

The Operating (General) Fund accounts for the District's general operations and is used to provide inter-fund loans to reimbursement based special revenue funds until reimbursements for expenditures are received. The Operating Fund receives state equalization guarantee distribution which is defined as "that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues is, as defined in Chapter 22, Section 825, NMSA 1978, at least equal to the school district's "program cost." This revenue represents 98.7% of the Operating Fund's total revenues and 65.9% of the total revenue for all funds. The funding is established by New Mexico statute and is impacted by student enrollment. A change in this funding could have a significant effect on the District's operations.

I. Reclassification/Restatement in the Financial Statements

Change in Accounting Principle – For the year ended June 30, 2025, the District's government-wide financial statements were restated by \$1,525,872. This restatement was for the implementation of GASB 101 Compensated Absence. The implementation caused a change in the methods of estimated the compensated absences liability and caused a decrease in the net position.

Change Within or to the Financial Reporting Entity – For the year ended June 30, 2025, the District's beginning fund balance of Other Governmental Funds in the governmental funds had a reclassification in the amount of \$9,360,372. This was due to the capital projects fund GO Bond Building (Fund 31100) being reclassified from a major governmental fund (as reported in 2024) to non-major governmental fund in 2025 due to an increase in the total assets for all governmental activities.

Correction of Error (A) – For the year ended June 30, 2025, the District's net position in the government-wide was restated for an increase of \$4,191,281. The prior year reported capital assets purchased in fiscal year ended 2003 with an estimated useful life of fifty (50) years that reported as fully depreciated.

Correction of Error (B) – For the year ended June 30, 2025, the District's government-wide and governmental fund financial statements were restated for an increase of \$66,602 and the fiduciary net positions was decrease by the same amount. Revenues reported in the Eagle Trust Fiduciary Fund should have been reported in the Governmental Activities Special Revenue Fund No-Instructional Support (Fund No. 23000).

RESTATEMENTS OF NET POSITION AND FUND BALANCE

	June 30, 2024 Previously Reported	Change in Accounting Principle	Change within or to the Financial Reporting Entity	Correction of Error (A)	Correction of Error (B)	June 30, 2024 As Restated
Government-wide:						
Governmental activities	\$ (6,028,323)	\$ (1,525,872)	\$ -	\$ 4,191,281	\$ 66,602	\$ (3,296,312)
Major Funds:						
General Funds	\$ 36,508,671	\$ -	\$ -	\$ -	\$ -	\$ 36,508,671
Food Service	(3,595,915)	-	-	-	-	(3,595,915)
GO Bond Building	9,360,372	-	(9,360,372)	-	-	-
GO Debt Service	13,659,850	-	-	-	-	13,659,850
Other Governmental Funds	<u>5,228,651</u>	<u>-</u>	<u>9,360,372</u>	<u>-</u>	<u>66,602</u>	<u>14,655,625</u>
Total Governmental Funds	<u>\$ 61,161,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,602</u>	<u>\$ 61,228,231</u>
Fiduciary Funds						
Eagle Trust	\$ 345,281	\$ -	\$ -	\$ -	\$ (66,602)	\$ 278,679
Custodial Funds	<u>65,494</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,494</u>
Total Fiduciary Funds	<u>\$ 410,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (66,602)</u>	<u>\$ 344,173</u>



NOTE 4 OTHER INFORMATION (cont'd)

J. Future Reporting Requirements Being Considered

GASB Statement No. 103, *Financial Reporting Model Improvements*

GASB Statement No. 104, *Disclosure of Certain Capital Assets*

K. Subsequent Events

The District approved issued Series 2025 GO Bonds in the amount of \$19,335,000 at par on August 28, 2025. The issuance was part of authorization of \$50,000,000 on November 7, 2023. Previous amounts issued from this authorization were \$9,325,000. The District will make the first interest payment on March 15, 2026 and will make the first principal payment on September 15, 2026. The bond series will mature on September 15, 2032 with an interest rate of 5.00%. The District was at 32% bonding capacity after the issuance of Series. The proceeds will be used for the construction of a new school. Balances shown for bonds and notes do not include unamortized premiums or deferred amounts on refinancing.

The date to which events occurring after June 30, 2025, the date of the most recent statement of net position, has been evaluated for possible adjustment to the financial statements or disclosures is up to the date of the independent auditor's report, which is the date on which the financial statements were issued.

REQUIRED SUPPLEMENTAL INFORMATION
OF
HOBBS MUNICIPAL SCHOOL DISTRICT
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2025



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

For the year ended:	Measurement date of June 30:	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2025	2024	1.886920%	\$165,822,444	\$ 80,094,305	207.03%	66.57%
June 30, 2024	2023	1.946660%	169,053,502	75,124,577	225.03%	65.19%
June 30, 2023	2022	1.875420%	157,942,461	63,759,200	247.72%	64.87%
June 30, 2022	2021	1.907660%	135,204,767	61,178,846	221.00%	69.77%
June 30, 2021	2020	1.780170%	360,767,291	55,969,875	644.57%	39.11%
June 30, 2020	2019	1.134850%	130,124,258	50,207,408	259.17%	64.13%
June 30, 2019	2018	1.101940%	199,829,061	46,964,456	425.49%	52.17%
June 30, 2018	2017	1.635700%	181,783,000	51,100,289	355.74%	52.95%
June 30, 2017	2016	1.449300%	104,297,912	41,393,067	251.97%	61.58%
June 30, 2016	2015	1.522650%	98,626,095	43,284,911	227.85%	63.97%

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

	Contractually required contribution	Contributions in relation to the contractually required	Contribution deficiency (excess)	District's covered payroll	Contribution as a percentage of covered payroll
June 30, 2025	\$ 15,257,973	\$ 15,257,973	\$ -	\$ 84,020,589	18.16%
June 30, 2024	14,536,962	14,536,962	-	80,094,305	18.15%
June 30, 2023	12,884,713	12,884,713	-	75,124,577	17.15%
June 30, 2022	9,688,646	9,688,646	-	63,759,200	15.20%
June 30, 2021	8,653,912	8,653,912	-	61,178,846	14.15%
June 30, 2020	8,093,161	8,093,161	-	55,969,875	14.46%
June 30, 2019	7,000,194	7,000,194	-	50,207,408	13.94%
June 30, 2018	6,528,059	6,528,059	-	46,964,456	13.90%
June 30, 2017	7,102,940	7,102,940	-	51,100,289	13.90%
June 30, 2016	5,753,636	5,753,636	-	41,393,067	13.90%



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

For the year ended:	Measurement date of June 30:	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
June 30, 2025	2024	1.257200%	\$ 22,438,562	\$ 80,058,189	28.03%	46.99%
June 30, 2024	2023	1.311740%	22,338,071	75,124,577	29.73%	44.16%
June 30, 2023	2022	1.255360%	29,018,918	63,759,200	45.51%	33.33%
June 30, 2022	2021	1.273680%	41,908,527	61,508,926	68.13%	25.39%
June 30, 2021	2020	1.179070%	49,508,065	47,356,481	104.54%	16.48%
June 30, 2020	2019	1.134850%	36,796,249	47,280,022	77.83%	18.92%
June 30, 2019	2018	1.101940%	47,916,261	49,704,504	96.40%	13.14%
June 30, 2018	2017	1.193200%	54,071,922	51,100,289	105.82%	11.34%
June 30, 2017	2016	-	-	-	-	-
June 30, 2016	2015	-	-	-	-	-

* These schedules are intended to present 10 years of trending history. However, information is not available prior to the year ended June 30, 2018 and, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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

	Contractually required contribution	Contributions in relation to the contractually required	Contribution deficiency (excess)	District's covered payroll	Contribution as a percentage of covered payroll
June 30, 2025	\$ 1,685,354	\$ 1,685,354	\$ -	\$ 84,266,005	2.00%
June 30, 2024	1,601,164	1,601,164	-	80,058,189	2.00%
June 30, 2023	1,499,916	1,499,916	-	75,124,577	2.00%
June 30, 2022	1,275,184	1,275,184	-	63,759,200	2.00%
June 30, 2021	1,230,179	1,230,179	-	61,508,926	2.00%
June 30, 2020	1,004,528	1,004,528	-	47,356,481	2.12%
June 30, 2019	941,077	941,077	-	47,280,022	1.99%
June 30, 2018	1,024,466	1,024,466	-	49,704,507	2.06%
June 30, 2017	-	-	-	-	-
June 30, 2016	-	-	-	-	-

* These schedules are intended to present 10 years of trending history. However, information is not available prior to the year ended June 30, 2018 and, until a full 10-year trend is compiled, the District will present information for those years for which information is available.



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2025

Pension (Education Retirement Board (ERB))

Changes in Benefit Provisions – There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2025.

Changes of assumptions – Actuarial assumptions and methods are adopted by the Board of Trustees based upon recommendations made by the plan's actuary. The Board adopted revised assumptions on February 23, 2024, following the findings identified by the actuarial experience study for the period ending June 30, 2023. These new assumptions are summarized below:

The economic changes were as follows:

Increase the assumed administrative expenses from 0.35% to 0.37% of payroll;

Increase the general wage inflation assumption for purposes of salary increases from 3.00% to 3.40%; however, no change was made to the assumption for increases of new hire pay of 3.00%;

Modest increases to the service-based merit component of the salary increase assumption;

The demographic changes were as follows:

Updated the mortality rates for healthy and disabled retirees to the 2021 TRS of Texas Healthy Pensioner Mortality Tables with plan-specific adjustments;

Update the mortality projection scale to the ultimate rates of the most recent Scale MP;

Modest adjustments to termination and retirement rates to better reflect plan experience.

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

Other Post-Employment Benefits (New Mexico Retiree Health Care Authority (NMRHCA))

Changes in Benefit Provisions – There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2025.

Changes in assumptions – Consist primarily of the effects of changes in the discount rate each year and items noted below:

Updates to the valuation year per capita health costs, including drug rebates and EGWP revenue on the Medicare plans and removal of the excise tax thresholds on benefits.

Adjustments resulting from an increase in the discount rate from 6.22% to 7.00%

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

SUPPLEMENTAL INFORMATION
OF
HOBBS MUNICIPAL SCHOOL DISTRICT
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2025

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SUPPLEMENTAL INFORMATION

GENERAL FUNDS

Operational Fund (Fund No. 11000)

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

Transportation Fund (Fund No. 13000)

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

Instructional Materials Fund (Fund No. 14000)

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

Ad Valorem, & Oil/Gas Tax Fund (Fund No. 15200)

Accounts for funding from Schools and Roads - Grants to States (Forest Reserve) as shared receipts from the National Forests and supplemental mandatory appropriations with States in which the National Forests are situated and to account for tax receipts allocated to the general fund. Also, 75-100% of the ad valorem taxes received from the county for property and oil/gas taxes.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

GENERAL FUNDS
Combining Balance Sheet
June 30, 2025

	Operational Fund 11000	Transportation Fund 13000	Instructional Materials Fund 14000	Ad Valorem & Oil/Gas Tax Fund 15200	Total General Funds
Assets					
Cash and cash equivalents	\$ 15,225,957	\$ 320,703	\$ 46,085	\$ 1,376,507	\$ 16,969,252
Investments	16,654,714	-	-	1,232,319	17,887,033
Receivables:					
Taxes	-	-	-	155,395	155,395
Other receivables	10,354	-	-	-	10,354
Due from other funds	11,671,466	-	-	-	11,671,466
Supply inventory	511,780	-	-	-	511,780
Total assets	<u>\$ 44,074,271</u>	<u>\$ 320,703</u>	<u>\$ 46,085</u>	<u>\$ 2,764,221</u>	<u>\$ 47,205,280</u>
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	\$ 1,434,820	\$ -	\$ -	\$ -	\$ 1,434,820
Payroll liabilities	5,831,353	-	-	-	5,831,353
Total liabilities	7,266,173	-	-	-	7,266,173
Deferred inflows of resources:					
Unavailable tax revenues	-	-	-	16,734	16,734
Fund balance:					
Non-spendable:					
Inventories	511,780	-	-	-	511,780
Restricted for:					
Transportation	-	320,703	-	-	320,703
Instructional materials	-	-	46,085	-	46,085
Committed to:					
Subsequent year's expenditures	29,245,545	-	-	-	29,245,545
Unassigned	7,050,773	-	-	2,747,487	9,798,260
Total fund balance	36,808,098	320,703	46,085	2,747,487	39,922,373
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 44,074,271</u>	<u>\$ 320,703</u>	<u>\$ 46,085</u>	<u>\$ 2,764,221</u>	<u>\$ 47,205,280</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

GENERAL FUNDS

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Operational <u>Fund 11000</u>	Transportation <u>Fund 13000</u>	Instructional Materials <u>Fund 14000</u>	Ad Valorem & Oil/Gas Tax <u>Fund 15200</u>	Total General <u>Fund</u>
Revenues:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 562,539	\$ 562,539
Oil and gas	-	-	-	852,739	852,739
Intergovernmental - state grants	128,907,057	3,657,471	-	-	132,564,528
Contributions - private grants	720,905	-	-	-	720,905
Payments in lieu of taxes	138,480	-	-	-	138,480
Charges for services	47,141	-	-	-	47,141
Investment and interest income	<u>757,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>757,395</u>
Total revenue	<u>130,570,978</u>	<u>3,657,471</u>	<u>-</u>	<u>1,415,278</u>	<u>135,643,727</u>
Expenditures:					
Current:					
Instruction	79,743,512	-	-	-	79,743,512
Support services:					
Students	14,921,961	-	-	-	14,921,961
Instruction	5,177,481	-	-	-	5,177,481
General Administration	1,619,337	-	-	1,937	1,621,274
School Administration	8,395,352	-	-	-	8,395,352
Central Services	3,864,362	-	-	-	3,864,362
Operation & Maintenance of Plant	12,727,332	-	-	-	12,727,332
Student transportation	95,946	3,424,759	-	-	3,520,705
Operation of non-instructional services:					
Food services operations	203,798	-	-	-	203,798
Capital outlay	<u>1,832,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,832,237</u>
Total expenditures	<u>128,581,318</u>	<u>3,424,759</u>	<u>-</u>	<u>1,937</u>	<u>132,008,014</u>
<i>Excess of revenues over expenditures</i>	<u>1,989,660</u>	<u>232,712</u>	<u>-</u>	<u>1,413,341</u>	<u>3,635,713</u>
Other financing uses:					
Reversion of prior year revenues	-	(87,992)	-	-	(87,992)
Transfers out	<u>(134,019)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(134,019)</u>
Total other financing uses	<u>(134,019)</u>	<u>(87,992)</u>	<u>-</u>	<u>-</u>	<u>(222,011)</u>
<i>Net change in fund balance</i>	1,855,641	144,720	-	1,413,341	3,413,702
Fund balance at beginning of the year	<u>34,952,457</u>	<u>175,983</u>	<u>46,085</u>	<u>1,334,146</u>	<u>36,508,671</u>
Fund balance at end of the year	<u>\$ 36,808,098</u>	<u>\$ 320,703</u>	<u>\$ 46,085</u>	<u>\$ 2,747,487</u>	<u>\$ 39,922,373</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

OPERATIONAL FUND - NO. 11000
Statements of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive <u>(Negative)</u>
Revenues:				
Intergovernmental - state grants	\$ 126,633,477	\$ 128,891,132	\$ 128,907,057	\$ 15,925
Contributions - private grants	15,000	15,000	720,905	705,905
Payments in lieu of taxes	-	-	138,480	138,480
Charges for services	-	-	47,141	47,141
Investment and interest income	-	-	757,395	757,395
Total revenues	<u>126,648,477</u>	<u>128,906,132</u>	<u>130,570,978</u>	<u>1,664,846</u>
Expenditures:				
Current:				
Instruction	100,397,691	101,666,512	78,552,642	23,113,870
Support services:				
Students	14,098,887	14,346,298	14,922,347	(576,049)
Instruction	5,629,240	5,741,699	5,172,701	568,998
General Administration	1,777,111	1,799,602	1,602,737	196,865
School Administration	8,392,531	8,572,466	8,407,315	165,151
Central Services	2,932,931	2,973,918	3,864,205	(890,287)
Operation & Maintenance of Plant	22,559,659	22,737,776	12,682,036	10,055,740
Student transportation	85,000	88,000	99,261	(11,261)
Operation of non-instructional services:				
Food services operations	194,302	398,736	203,798	194,938
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>1,832,237</u>	<u>(1,782,237)</u>
Total expenditures	<u>156,117,352</u>	<u>158,375,007</u>	<u>127,339,279</u>	<u>31,035,728</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(29,468,875)	(29,468,875)	3,231,699	32,700,574
Other financing uses:				
Transfers out	-	-	(134,019)	(134,019)
<i>Net change in fund balance</i>	(29,468,875)	(29,468,875)	<u>\$ 3,097,680</u>	<u>\$ 32,566,555</u>
<i>Beginning cash balance budgeted</i>	<u>29,468,875</u>	<u>29,468,875</u>		
Total budget excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS:				
<i>Net change in fund balance (budget basis)</i>			\$ 3,097,680	
Change in inventory			(58,426)	
Change in payables			<u>(1,183,613)</u>	
<i>Net change in fund balance (GAAP basis)</i>			1,855,641	
Fund balance at beginning of the year			<u>34,952,457</u>	
Fund balance at end of the year			<u>\$ 36,808,098</u>	

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

TRANSPORTATION FUND - NO. 13000
Statements of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget
				Positive
				<u>(Negative)</u>
Revenues:				
Intergovernmental - state grants	\$ 3,642,820	\$ 3,642,820	\$ 3,657,471	\$ 14,651
Expenditures:				
Current:				
Support services:				
Student transportation	<u>3,642,820</u>	<u>3,730,812</u>	<u>3,424,759</u>	<u>306,053</u>
<i>Excess (deficiency) of revenues</i>				
<i>over expenditures</i>	-	(87,992)	232,712	320,704
Other financing uses:				
Reversion of prior year revenues	<u>-</u>	<u>-</u>	<u>(87,992)</u>	<u>(87,992)</u>
<i>Net change in fund balance</i>	-	(87,992)	<u>\$ 144,720</u>	<u>\$ 232,712</u>
<i>Beginning cash balance budgeted</i>	<u>-</u>	<u>87,992</u>		
Total budget excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS:				
<i>Net change in fund balance (budget basis)</i>			\$ 144,720	
Change in payables			<u>-</u>	
<i>Net change in fund balance (GAAP basis)</i>			144,720	
Fund balance at beginning of the year			<u>175,983</u>	
Fund balance at end of the year			<u>\$ 320,703</u>	

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

INSTRUCTIONAL MATERIALS FUND - NO. 14000
Statements of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget
				Positive
				<u>(Negative)</u>
Revenues:				
Intergovernmental - state grants	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
<i>Excess of revenues over expenditures</i>	-	-	-	-
Other financing uses:				
Transfers out	-	-	-	-
<i>Net change in fund balance</i>	-	-	<u>\$ -</u>	<u>\$ -</u>
<i>Beginning cash balance budgeted</i>	-	-		
Total budget excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS:				
<i>Net change in fund balance (budget basis)</i>			\$ -	
Change in payables			<u>-</u>	
<i>Net change in fund balance (GAAP basis)</i>			-	
Fund balance at beginning of the year			<u>46,085</u>	
Fund balance at end of the year			<u>\$ 46,085</u>	

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

AD VALOREM & OIL/GAS TAX FUND - NO. 15200
Statements of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget
				Positive
				<u>(Negative)</u>
Revenues:				
Taxes:				
Property	\$ 501,275	\$ 501,275	\$ 558,985	\$ 57,710
Oil and gas	<u>634,547</u>	<u>634,547</u>	<u>864,755</u>	<u>230,208</u>
Total revenues	<u>1,135,822</u>	<u>1,135,822</u>	<u>1,423,740</u>	<u>287,918</u>
Expenditures:				
Current:				
Instruction	1,135,822	1,135,822	-	1,135,822
Support services:				
General Administration	<u>-</u>	<u>-</u>	<u>1,937</u>	<u>(1,937)</u>
Total expenditures	<u>1,135,822</u>	<u>1,135,822</u>	<u>1,937</u>	<u>1,133,885</u>
<i>Excess of revenues over expenditures</i>	-	-	1,421,803	1,421,803
Other financing uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	<u>\$ 1,421,803</u>	<u>\$ 1,421,803</u>
<i>Beginning cash balance budgeted</i>	<u>-</u>	<u>-</u>		
Total budget excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>		
RECONCILIATION TO GAAP BASIS:				
<i>Net change in fund balance (budget basis)</i>			\$ 1,421,803	
Change in taxes receivable			(6,930)	
Change in deferred property taxes			<u>(1,532)</u>	
<i>Net change in fund balance (GAAP basis)</i>			1,413,341	
Fund balance at beginning of the year			<u>1,334,146</u>	
Fund balance at end of the year			<u>\$ 2,747,487</u>	

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SUPPLEMENTAL INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

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

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NONMAJOR SPECIAL REVENUE FUNDS

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

21100 Universal Free Lunch (State funded)	Minimum Balance:	None
To supplement USDA Child Nutrition in order to provide free meals to every student.		
22000 Athletics	Minimum Balance:	None
This fund provides financing for school athletic activities. Funding is provided by fees from patrons.		
23000 Non-Instructional Support	Minimum Balance:	None
To account for revenue and expenditures associated with the District's non-instructional support activities (primarily after-school activities).		
24101 Title I	Minimum Balance:	None
To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.		
24106 Entitlement IDEA-B	Minimum Balance:	None
Program provides grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.		
24109 Preschool IDEA-B	Minimum Balance:	None
The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.		
24119 21st Century Community Learning Centers	Minimum Balance:	None
After school adolescence care, providing the community with responsible Child Care, while providing the children and their families with referral services, drug prevention education, academic help, and character building (social skill) activities. Funding is provided by the Department of Education under the Elementary and Secondary Education Act of 1965, Title X, part I Section 10901, Public Law 103-382 Stat. 3844, 20 U.S.C. 8241.		
24153 Title III English Language	Minimum Balance:	None
To ensure that limited English proficient children (LEP) and youth, including immigrant children and youth, attain English proficiency and meet the same standards as all children and youth are expected to meet; to provide assistance to Native American, Native Hawaiian, Native American Pacific Islander, and Alaskan native children with certain modifications relative to the unique status of native American language under Federal Law; to develop to the extent possible, the native language skills of such children. The fund is authorized through the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101,3129.		
24154 Title II Teacher Quality	Minimum Balance:	None
To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in the academic achievement. Authorization is granted through the Elementary and Secondary Education Act of 1965, as amended, Title II, Part A, Public Law 107-110.		
24160 Rural & Low-Income Schools	Minimum Balance:	None
To account for federal grant assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools, and specifically to provide funds for teacher recruitment, retention, and teacher professional development, educational technology, and parental involvement activities. Authority for this fund comes from the Elementary and Secondary Education Act of 1965, as amended, Title VI, Part B, as amended.		
24174 Carl D Perkins - Culinary	Minimum Balance:	None
The redistribution component of the Carl D. Perkins program represents an allocation of remaining balances from the Carl D. Perkins Career and Technical Education Act (Perkins IV-Year 4). The program is funded by the United States government, under the Carl D. Perkins Vocational-Technical Education Act Amendments, Title I; 20 U.S.C. 2321 et seq., Public Law 105-332.		



NONMAJOR SPECIAL REVENUE FUNDS (cont'd)

24176 Carl D Perkins Secondary Redistribution	Minimum Balance: None
The redistribution component of the Carl D. Perkins program represents an allocation of remaining balances from the Carl D. Perkins Career and Technical Education Act (Perkins IV-Year 4). The program is funded by the United States government, under the Carl D. Perkins Vocational-Technical Education Act Amendments, Title I; 20 U.S.C. 2321 et seq., Public Law 105-332.	
24189 Academic Achievement Title IV	Minimum Balance: None
To improve student's academic achievement by increasing the capacity of States, local educational agencies, schools and local communities to: (1) provide all students with access to a well-rounded education; (2) improve school conditions for student learning; and (3) improve the use of technology in order to improve the academic achievement and digital literacy for all students. Newly authorized under subpart 1 of Title IV, Part A of the ESEA is the Student Support and Academic Enrichment (SSAE) program.	
24193 Title I Direct Student Services	Minimum Balance: None
To account for School Improvement Grants (SIGs) provided to state educational agencies (SEAs) that SEAs use to make competitive subgrants to local education agencies that demonstrate the greatest need for the funds and the strongest commitment to use the funds to provide adequate resources in order to substantially raise the achievement of students. The grant is authorized under section 1003(g) of Title I of the Elementary and Secondary Education Act of 1965 (ESEA).	
24198 CTE Non-Trad	Minimum Balance: None
To develop more fully the academic knowledge and technical and employability skills of secondary education students and postsecondary education students who elect to enroll in career and technical education programs and programs of study.	
24308 CRRSA Act - ESSER II	Minimum Balance: None
To provide local education agencies with funding to safely reopen schools, measure and effectively address significant learning loss, and to mitigate the impact of COVID-19. LEAs must expend all ESSER (24301) funds and submit the associated requests for reimbursement before expending any of the ESSER II (24308) funds. Authorization: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, Elementary and Secondary School Education Relief Fund (ESSER II Fund).	
24330 ARP ESSER III	Minimum Balance: None
The New Mexico Public Education Department (PED) has granted its full (2/3 + 1/3) preliminary FY21-22 subawards for funding through the American Rescue Plan (ARP) Act, Elementary and Secondary School Emergency Relief Fund (24330), to help schools to return safely to in-person instruction, maximize in-person instructional time, sustain the safe operation of schools, and address the academic, social, emotional, and mental health impacts of the COVID-19 pandemic on New Mexico's students.	
24333 ESSER III - Near Peer Tutoring	Minimum Balance: None
This grant is designed to provide opportunities for high school students to be compensated for providing near peer tutoring in reading and mathematics to elementary and middle school students enrolled in the same LEA	
24355 Homeless Emergency Rescue (ARP)	Minimum Balance: None
This is a subawards for funding through the American Rescue Plan Act, Elementary and Secondary School Emergency Relief Fund to help schools to return safely to in-person instruction, maximize in-person instructional time, sustain the safe operation of schools, and address the academic, social, emotional, and mental health impacts of the COVID-19 pandemic on NM students.	
25153 Title XIX Medicaid	Minimum Balance: None
To provide financial assistance from the Federal government which flows-through the State of New Mexico to school districts, for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women and the aged who meet income and resource requirements, and other categorically-eligible groups. The program is funded by the U.S. government under the Social Security Act, Title XIX, as amended; Public Laws 92-223, 92-602, 93-66, 93-233, 96-499, 97-35, 97-2248, 98-369, 99-272, 99-509, 100-93, 100-202, 100-203, 100-360, 100-436, 100-485, 100-647, 101-166, 101-234, 101-239, 101-508, 101-517, 102-234, 102-170, 102-394, 103-66, 103-14, 103-333, 104-91, 104-191, 104-193, 104-208, and 104-134; Balanced Budget Act of 1997, Public Law 105-33.	
25230 Secondary Agriculture Education	Minimum Balance: None
The objective of this fund is to account for a Future Farmers of America grant to study the composting of red worms.	
26102 Exxon Education	Minimum Balance: None
To support various Science, Engineering, Technology and Mathematics (STEM) and public service programs.	
26109 JF Maddox Foundation	Minimum Balance: None
Fund is to account for grants provided from a local private foundation	
26170 Microsoft Settlement Funds	Minimum Balance: None
The objective of this fund is to account for money received for software and hardware from a settlement with Microsoft.	



NONMAJOR SPECIAL REVENUE FUNDS (cont'd)

26215 The Bridge of Southern New Mexico	Minimum Balance: None
The purpose of this fund is to be used for Expanding Early College High Schools throughout New Mexico to establish or strengthen agreements with higher education to increase dual-credit enrollment.	
27106 Libraries GO Bond 2010	Minimum Balance: None
To account for funds provided for the purpose of acquiring library books, equipment, and library reasons for public school libraries statewide.	
27107 Library Go Bonds 2012	Minimum Balance: None
Funds to be used for library books and library resources for public school libraries statewide. Library resources include computers, software, projectors, televisions, other related hardware and software, shelving, desks, chairs, and book trucks/carts. Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10.B.(3).	
27109 Instructional Materials - Special Appropriations	Minimum Balance: None
State allocation meant as a boost to the instructional materials regular allocation in an effort to bring up to date the schools' resources.	
27114 Reads to Lead	Minimum Balance: None
Provides an aligned approach for districts and schools to ensure that children can read by the end of third grade—giving them essential skills for future career and college success. It also provides regional and district reading coaches, supports for intervention, and professional development for parents, teachers, reading coaches, and administrators.	
27125 Excellence in Teaching	Minimum Balance: None
The funding under this award must be used solely for Excellence in Teaching salary supplements. These salary supplements are \$5,000.00 or \$10,000.00 per teacher and may only be awarded to teachers who have met the award criteria.	
27149 Pre-K Initiative	Minimum Balance: None
The pre-k program shall address the total development needs of preschool children, including physical, cognitive, social and emotional needs, and shall include health care, nutrition, safety and multicultural sensitivity.	
27152 K-5 Plus Transportation	Minimum Balance: None
Funds for the transportation of students who participated in K-5 Plus Programs.	
27153 ELTP Transportation	Minimum Balance: None
To provide transportation in support of extended learning time.	
27155 Breakfast for Elementary Students	Minimum Balance: None
The Breakfast for Elementary School program provides foods (at no charge) after the instructional day has begun, provided that instruction occurs simultaneously with breakfast.	
27166 Kindergarten 3-Plus	Minimum Balance: None
Funds allow for an extended school year for Kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional time to prepare them for the next grade	
27168 Afterschool Enrichment	Minimum Balance: None
To provide funds for public schools to implement after school and enrichment programs.	
27181 STEM Teacher Initiative	Minimum Balance: None
Funds are used for STEM Teacher recruitment and/or stipend retention.	
27183 New Mexico Grown	Minimum Balance: None
Funds under this award are to be used to purchase locally grown New Mexico fresh fruits and vegetables, to be made available at no charge to students. Funds have been received as appropriation through the General Appropriations Act to distribute to school districts and charter schools.	
27185 Next Generation Assessments	Minimum Balance: None
This is used to remediate deficiencies in computer devices compliant with the Partnership for assessment of readiness for college and Careers (PARCC) assessment requirements. Districts must complete 3 requirements, Technology Readiness Tool, School Speed Test, and Project 24 Self-Assessment.	
27407 Family Income Index	Minimum Balance: None
This award is to be used on students living in low-income households.	



NONMAJOR SPECIAL REVENUE FUNDS (cont'd)

27408 K12 Plus ELTP	Minimum Balance: None
To positively impact student achievement in math and language arts, graduation rates, and even attendance. The goal is to move towards full participation in ELTP and K5+ in future years.	
27502 Next Gen CTE	Minimum Balance: None
Funds are to be used for (1) to support Local Educational Agencies (LEAs) with the cost of Career Technical Education (CTE) programs of study, (2) to provide relevant career exploration, and (3) to provide other CTE-related supports. Authorization: 2019 New Mexico House Bill 91	
27515 NM Government Result & Opportunity FY26	Minimum Balance: None
For use in programmatic costs and resources for career and technical education programs in Hobbs high school, Lovington high school and Carlsbad high school.	
27521 Hobbs Programmatic Operational Costs	Minimum Balance: None
For programmatic, operational costs and resources for Hobbs municipal schools and Lovington municipal schools career technical education.	
27522 NM Government Result & Opportunity FY25	Minimum Balance: None
For programmatic, operational costs and resources for Hobbs municipal schools and Lovington municipal schools career technical education.	
27552 CTE State Wide Innovation	Minimum Balance: None
CTE initiatives, equipment. Any unexpended balances remaining at the end of the fiscal year 2023 from this appropriation shall revert to the career technical education fund. SHARE; Fund 21160 Dept ZG5108	
27584 Attendance Success Initiative	Minimum Balance: None
For support of multifaceted approach and support Attendance for Success Act, Post-Covid Challenges, Student Engagement Shift, Need for Non-Instructional Support and Resources	
28149 Community Health	Minimum Balance: None
Funds are used to expand opportunities for healthy eating and active living for children.	
28190 GRADS Instruction	Minimum Balance: None
To account for a program funded by the Public Education Department for the purpose to establish and maintain an in-school, family and consumer science instructional and intervention program for pregnant and parenting students, which focuses on knowledge and skills related to positive self, pregnancy, parenting and economic independence. Special Revenue fund established by the local school board.	
28191 Start Smart K-3+ USU Study	Minimum Balance: None
Funds all for an extended school year for Kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional time to prepare them for the next grade. The study allows for maintenance of a test group and a control group to determine the benefits for those in the test group.	
28211 DOH COVID Testing Program	Minimum Balance: None
To strengthen school health services infrastructure and may be used to prevent, mitigate, and reduce the consequences of COVID infections.	
28221 Public School Kitchen Infrastructure	Minimum Balance: None
Twenty million dollars (\$20,000,000) to plan, design, construct, renovate, furnish, and equip public school kitchen infrastructure improvements to support meal quality improvements statewide; Regular Session 2023, HB 505, Section 21 DFA, Paragraph 3. Funding available for FY24 and FY25.	
29102 Private Direct Grants	Minimum Balance: None
To account for private donations. Authority for creation of this fund is the New Mexico Public Education Department.	
29107 City/County Grants	Minimum Balance: None
To provide support for a health education program within the school and to provide workbooks, materials for educational demonstrations and funds to support a nutrition focused event for the school.	
29131 Behavioral Health Services	Minimum Balance: None
To provide local funds used to encourage a strong knowledge base in the elementary school curriculum.	



NONMAJOR CAPITAL PROJECTS FUNDS

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

- | | |
|---|---------------------------|
| 31100 GO Bond Building | Minimum Balance: None |
| This fund provides financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the sale of general obligation bonds, which have been approved by the voters of the district. | |
| 31200 Public School Capital Outlay | Minimum Balance: None |
| Appropriation from the Public School Capital Outlay Fund for the maintenance and repair of public school buildings. | |
| 31300 Special Capital Outlay – Local | Minimum Balance: None |
| To account for resources received by revenue generated local sources for the purpose of remodeling and improvements on existing structures. | |
| 31400 Special Capital Outlay - State | Minimum Balance: None |
| This fund provides financing for special appropriation monies received from the State of New Mexico under Chapter 367, Laws of 1993. | |
| 31600 Capital Improvements HB-33 | Minimum Balance: None |
| The fund provides financing for the purchase of equipment and capital improvements to School District property. Funding received from a 5 mill property tax levy and interest earned on investments, per House Bill 33. | |
| 31701 Capital Improvements SB – 9 (Local) | Minimum Balance: None |
| This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9. | |
| 31703 Capital Improvements SB-9 (State Match) | Minimum Balance: None |
| To account for funds distributed under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) to any school district that has imposed a tax for capital outlays and maintenance. An amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. | |

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	Special Revenue Funds			
	Universal Free Lunch (State funded) <u>Fund 21100</u>	Athletics <u>Fund 22000</u>	Non- Instructional Support <u>Fund 23000</u>	Title I <u>Fund 24101</u>
Assets				
Cash and cash equivalents	\$ -	\$ 510,394	\$ 14,918	\$ 245,194
Investments	-	-	515,404	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	406,140	-	-	557,095
Other receivables	-	-	182	-
Due from other funds	-	61,464	-	-
Total assets	<u>\$ 406,140</u>	<u>\$ 571,858</u>	<u>\$ 530,504</u>	<u>\$ 802,289</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 22,881	\$ 5,604
Payroll liabilities	-	-	14,285	245,194
Due to other funds	763,027	-	66,477	789,999
Unearned revenues	-	-	-	-
Total liabilities	<u>763,027</u>	<u>-</u>	<u>103,643</u>	<u>1,040,797</u>
Deferred inflows of resources:				
Unavailable tax revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Restricted for:				
Extracurricular activities	-	571,858	426,861	-
Grantor restrictions	-	-	-	-
Capital projects	-	-	-	-
Unassigned	<u>(356,887)</u>	<u>-</u>	<u>-</u>	<u>(238,508)</u>
Total fund balance	<u>(356,887)</u>	<u>571,858</u>	<u>426,861</u>	<u>(238,508)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 406,140</u>	<u>\$ 571,858</u>	<u>\$ 530,504</u>	<u>\$ 802,289</u>

(cont'd; 1 of 16)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	Special Revenue Funds			
	Entitlement IDEA-B <u>Fund 24106</u>	Preschool IDEA-B <u>Fund 24109</u>	21st Century Community Learning Centers <u>Fund 24119</u>	Title III English Language <u>Fund 24153</u>
Assets				
Cash and cash equivalents	\$ 50,644	\$ -	\$ -	\$ 134,039
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	171,626	-	-	192,428
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 222,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,467</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 638	\$ -
Payroll liabilities	50,644	-	-	134,039
Due to other funds	1,492,974	19,731	136,977	192,889
Unearned revenues	-	-	-	-
Total liabilities	<u>1,543,618</u>	<u>19,731</u>	<u>137,615</u>	<u>326,928</u>
Deferred inflows of resources:				
Unavailable tax revenues	-	-	-	-
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	-	-	-	-
Capital projects	-	-	-	-
Unassigned	<u>(1,321,348)</u>	<u>(19,731)</u>	<u>(137,615)</u>	<u>(461)</u>
Total fund balance	<u>(1,321,348)</u>	<u>(19,731)</u>	<u>(137,615)</u>	<u>(461)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 222,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,467</u>

(cont'd; 2 of 16)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	Special Revenue Funds			
	Title II Teacher Quality Fund 24154	Rural & Low- Income Schools Fund 24160	Carl D Perkins - Culinary Fund 24174	Carl D Perkins Secondary Redistribution Fund 24176
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 7,508	\$ -
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	36,256	52,516	230	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 36,256	\$ 52,516	\$ 7,738	\$ -
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ 2,772	\$ 6,238	\$ -	\$ -
Payroll liabilities	-	-	-	-
Due to other funds	75,077	52,516	-	306
Unearned revenues	-	-	7,738	-
Total liabilities	77,849	58,754	7,738	306
Deferred inflows of resources:				
Unavailable tax revenues	-	-	-	-
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	-	-	-	-
Capital projects	-	-	-	-
Unassigned	(41,593)	(6,238)	-	(306)
Total fund balance	(41,593)	(6,238)	-	(306)
Total liabilities, deferred inflows of resources, and fund balance	\$ 36,256	\$ 52,516	\$ 7,738	\$ -

(cont'd; 3 of 16)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	<u>Special Revenue Funds</u>			
	Academic Achievement Title IV <u>Fund 24189</u>	Title I - Direct Student Services <u>Fund 24193</u>	CTE Non-Trad <u>Fund 24198</u>	CRRSA Act - ESSER II <u>Fund 24308</u>
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payroll liabilities	-	-	-	-
Due to other funds	95,141	29	-	12,752
Unearned revenues	-	-	-	-
Total liabilities	<u>95,141</u>	<u>29</u>	<u>-</u>	<u>12,752</u>
Deferred inflows of resources:				
Unavailable tax revenues	-	-	-	-
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	-	-	-	-
Capital projects	-	-	-	-
Unassigned	(95,141)	(29)	-	(12,752)
Total fund balance	<u>(95,141)</u>	<u>(29)</u>	<u>-</u>	<u>(12,752)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(cont'd; 4 of 16)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	<u>Special Revenue Funds</u>			
	ARP ESSER III <u>Fund 24330</u>	ESSER III - Near Peer Tutoring <u>Fund 24333</u>	Homeless Emergency Rescue (ARP) <u>Fund 24355</u>	Title XIX Medicaid <u>Fund 25153</u>
Assets				
Cash and cash equivalents	\$ 32,576	\$ -	\$ -	\$ -
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	-	-	-	331,233
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 32,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,233</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payroll liabilities	-	-	-	-
Due to other funds	-	448	31,233	236,949
Unearned revenues	<u>73,357</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>73,357</u>	<u>448</u>	<u>31,233</u>	<u>236,949</u>
Deferred inflows of resources:				
Unavailable tax revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	-	-	-	94,284
Capital projects	-	-	-	-
Unassigned	<u>(40,781)</u>	<u>(448)</u>	<u>(31,233)</u>	<u>-</u>
Total fund balance	<u>(40,781)</u>	<u>(448)</u>	<u>(31,233)</u>	<u>94,284</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 32,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,233</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	<u>Special Revenue Funds</u>			
	Secondary Agriculture Education <u>Fund 25230</u>	Exxon Education <u>Fund 26102</u>	JF Maddox Foundation <u>Fund 26109</u>	Microsoft Settlement Funds <u>Fund 26170</u>
Assets				
Cash and cash equivalents	\$ 2,000	\$ 25,000	\$ -	\$ 2,060
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 2,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 2,060</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payroll liabilities	-	-	-	-
Due to other funds	-	-	29,062	-
Unearned revenues	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>29,062</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable tax revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	2,000	25,000	-	2,060
Capital projects	-	-	-	-
Unassigned	-	-	(29,062)	-
Total fund balance	<u>2,000</u>	<u>25,000</u>	<u>(29,062)</u>	<u>2,060</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 2,060</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	<u>Special Revenue Funds</u>			
	The Bridge of Southern New Mexico <u>Fund 26215</u>	Libraries GO Bond 2010 <u>Fund 27106</u>	Libraries GO Bond 2012 <u>Fund 27107</u>	Instructional Materials - Special Appropriations <u>Fund 27109</u>
Assets				
Cash and cash equivalents	\$ 104,452	\$ -	\$ 516,894	\$ 301,117
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	-	-	1,896	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 104,452</u>	<u>\$ -</u>	<u>\$ 518,790</u>	<u>\$ 301,117</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 861	\$ -
Payroll liabilities	-	-	-	-
Due to other funds	-	1,255	-	-
Unearned revenues	-	-	-	-
Total liabilities	<u>-</u>	<u>1,255</u>	<u>861</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable tax revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	104,452	-	517,929	301,117
Capital projects	-	-	-	-
Unassigned	-	(1,255)	-	-
Total fund balance	<u>104,452</u>	<u>(1,255)</u>	<u>517,929</u>	<u>301,117</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 104,452</u>	<u>\$ -</u>	<u>\$ 518,790</u>	<u>\$ 301,117</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	<u>Special Revenue Funds</u>			
	<u>Reads to Lead Fund 27114</u>	<u>Excellence in Teaching Fund 27125</u>	<u>Pre-K Initiative Fund 27149</u>	<u>K-5 Plus Transportation Fund 27152</u>
Assets				
Cash and cash equivalents	\$ -	\$ 32	\$ 93,302	\$ 10,692
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	12,732	-	215,052	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 12,732</u>	<u>\$ 32</u>	<u>\$ 308,354</u>	<u>\$ 10,692</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ 623	\$ -	\$ -	\$ -
Payroll liabilities	-	-	93,302	-
Due to other funds	12,732	-	277,615	-
Unearned revenues	-	-	-	-
Total liabilities	<u>13,355</u>	<u>-</u>	<u>370,917</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable tax revenues	-	-	-	-
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	-	32	-	10,692
Capital projects	-	-	-	-
Unassigned	(623)	-	(62,563)	-
Total fund balance	<u>(623)</u>	<u>32</u>	<u>(62,563)</u>	<u>10,692</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 12,732</u>	<u>\$ 32</u>	<u>\$ 308,354</u>	<u>\$ 10,692</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	<u>Special Revenue Funds</u>			
	ELTP Transportation <u>Fund 27153</u>	Breakfast for Elementary Students <u>Fund 27155</u>	Kindergarten 3-Plus <u>Fund 27166</u>	Afterschool Enrichment <u>Fund 27168</u>
Assets				
Cash and cash equivalents	\$ 27,139	\$ -	\$ -	\$ 1,498
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 27,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,498</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payroll liabilities	-	-	-	-
Due to other funds	-	4,365	67,364	-
Unearned revenues	-	-	-	-
Total liabilities	<u>-</u>	<u>4,365</u>	<u>67,364</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable tax revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	27,139	-	-	1,498
Capital projects	-	-	-	-
Unassigned	-	(4,365)	(67,364)	-
Total fund balance	<u>27,139</u>	<u>(4,365)</u>	<u>(67,364)</u>	<u>1,498</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 27,139</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,498</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	<u>Special Revenue Funds</u>			
	STEM Teacher Initiative <u>Fund 27181</u>	New Mexico Grown <u>Fund 27183</u>	Next Generation Assessments <u>Fund 27185</u>	Family Income Index <u>Fund 27407</u>
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 10,427
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	-	-	-	24,591
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,018</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Payroll liabilities	-	-	-	10,427
Due to other funds	12,355	13,362	5,836	20,430
Unearned revenues	-	-	-	-
Total liabilities	<u>12,355</u>	<u>13,362</u>	<u>5,836</u>	<u>30,857</u>
Deferred inflows of resources:				
Unavailable tax revenues	-	-	-	-
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	-	-	-	4,161
Capital projects	-	-	-	-
Unassigned	(12,355)	(13,362)	(5,836)	-
Total fund balance	<u>(12,355)</u>	<u>(13,362)</u>	<u>(5,836)</u>	<u>4,161</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,018</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	Special Revenue Funds			
	K12 Plus ELTP <u>Fund 27408</u>	Next Gen CTE <u>Fund 27502</u>	NM Government Results & Opportunities FY26 <u>Fund 27515</u>	Hobbs Programmatic Operational Costs <u>Fund 27521</u>
Assets				
Cash and cash equivalents	\$ -	\$ 3,541	\$ -	\$ -
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	-	60,913	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 64,454</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ 505	\$ -	\$ -
Payroll liabilities	-	3,541	-	-
Due to other funds	195,857	60,913	-	-
Unearned revenues	-	-	-	-
Total liabilities	<u>195,857</u>	<u>64,959</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable tax revenues	-	-	-	-
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	-	-	-	-
Capital projects	-	-	-	-
Unassigned	(195,857)	(505)	-	-
Total fund balance	<u>(195,857)</u>	<u>(505)</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -</u>	<u>\$ 64,454</u>	<u>\$ -</u>	<u>\$ -</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	Special Revenue Funds			
	NM			
	Government		Attendance	
	Results &	CTE State Wide	Success	Community
	Opportunities	Innovation	Initiative	Health
	FY25			
	<u>Fund 27522</u>	<u>Fund 27552</u>	<u>Fund 27584</u>	<u>Fund 28149</u>
Assets				
Cash and cash equivalents	\$ -	\$ 51	\$ -	\$ 24,450
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	79,956	30,677	4,664	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 79,956</u>	<u>\$ 30,728</u>	<u>\$ 4,664</u>	<u>\$ 24,450</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ 36	\$ -	\$ -
Payroll liabilities	-	51	-	-
Due to other funds	79,956	30,677	4,664	-
Unearned revenues	-	-	-	-
Total liabilities	<u>79,956</u>	<u>30,764</u>	<u>4,664</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable tax revenues	-	-	-	-
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	-	-	-	24,450
Capital projects	-	-	-	-
Unassigned	-	(36)	-	-
Total fund balance	<u>-</u>	<u>(36)</u>	<u>-</u>	<u>24,450</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 79,956</u>	<u>\$ 30,728</u>	<u>\$ 4,664</u>	<u>\$ 24,450</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	<u>Special Revenue Funds</u>			
	GRADS Instruction <u>Fund 28190</u>	Start Smart K-3+ USU Study <u>Fund 28191</u>	DOH COVID Testing Program <u>Fund 28211</u>	Public School Kitchen Infrastructure <u>Fund 28221</u>
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 84,949	\$ -
Investments	-	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,949</u>	<u>\$ -</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ 487	\$ -	\$ -	\$ -
Payroll liabilities	-	-	-	-
Due to other funds	4,786	1,677	-	46,433
Unearned revenues	-	-	-	-
Total liabilities	<u>5,273</u>	<u>1,677</u>	<u>-</u>	<u>46,433</u>
Deferred inflows of resources:				
Unavailable tax revenues	-	-	-	-
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	-	-	84,949	-
Capital projects	-	-	-	-
Unassigned	<u>(5,273)</u>	<u>(1,677)</u>	<u>-</u>	<u>(46,433)</u>
Total fund balance	<u>(5,273)</u>	<u>(1,677)</u>	<u>84,949</u>	<u>(46,433)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,949</u>	<u>\$ -</u>

(cont'd; 13 of 16)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	<u>Special Revenue Funds</u>			
	Private Direct Grants <u>Fund 29102</u>	City/County Grants <u>Fund 29107</u>	Behavioral Health Services <u>Fund 29131</u>	Total Non-Major Special Revenue <u>Funds</u>
Assets				
Cash and cash equivalents	\$ 80,000	\$ 750,000	\$ 3,784	\$ 3,036,661
Investments	-	-	-	515,404
Receivables:				
Taxes	-	-	-	-
Intergovernmental	-	-	-	2,178,005
Other receivables	-	-	-	182
Due from other funds	-	-	-	61,464
Total assets	<u>\$ 80,000</u>	<u>\$ 750,000</u>	<u>\$ 3,784</u>	<u>\$ 5,791,716</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 40,645
Payroll liabilities	-	-	-	551,483
Due to other funds	-	-	-	4,835,864
Unearned revenues	-	-	-	81,095
Total liabilities	-	-	-	5,509,087
Deferred inflows of resources:				
Unavailable tax revenues	-	-	-	-
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	998,719
Grantor restrictions	80,000	750,000	3,784	2,033,547
Capital projects	-	-	-	-
Unassigned	-	-	-	(2,749,637)
Total fund balance	80,000	750,000	3,784	282,629
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 80,000</u>	<u>\$ 750,000</u>	<u>\$ 3,784</u>	<u>\$ 5,791,716</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	Capital Projects Funds			
	<u>GO Bond Building Fund 31100</u>	<u>Public School Capital Outlay Fund 31200</u>	<u>Special Capital Outlay - Local Fund 31300</u>	<u>Special Capital Outlay - State Fund 31400</u>
Assets				
Cash and cash equivalents	\$ 6,976,924	\$ 816,137	\$ 309,771	\$ -
Investments	156,398	-	-	-
Receivables:				
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 7,133,322</u>	<u>\$ 816,137</u>	<u>\$ 309,771</u>	<u>\$ -</u>
Liabilities, deferred inflows and fund balance				
Liabilities:				
Accounts payable	\$ 536,619	\$ -	\$ -	\$ -
Payroll liabilities	-	-	-	-
Due to other funds	-	-	-	660,000
Unearned revenues	-	-	-	-
Total liabilities	<u>536,619</u>	<u>-</u>	<u>-</u>	<u>660,000</u>
Deferred inflows of resources:				
Unavailable tax revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Restricted for:				
Extracurricular activities	-	-	-	-
Grantor restrictions	-	-	-	-
Capital projects	6,596,703	816,137	309,771	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(660,000)</u>
Total fund balance	<u>6,596,703</u>	<u>816,137</u>	<u>309,771</u>	<u>(660,000)</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 7,133,322</u>	<u>\$ 816,137</u>	<u>\$ 309,771</u>	<u>\$ -</u>

(cont'd; 15 of 16)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2025

	Capital Projects Funds				
	Capital Improvements HB-33 <u>Fund 31600</u>	Capital Improvements SB-9 (Local) <u>Fund 31701</u>	Capital Improvements SB-9 (State Match) <u>Fund 31703</u>	Total Non-Major Capital Projects <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
Assets					
Cash and cash equivalents	\$ 3,669,547	\$ 1,516,723	\$ 2,049,852	\$ 15,338,954	\$ 18,375,615
Investments	-	-	-	156,398	671,802
Receivables:					
Taxes	1,334,397	667,219	-	2,001,616	2,001,616
Intergovernmental	-	-	-	-	2,178,005
Other receivables	-	-	-	-	182
Due from other funds	<u>660,000</u>	<u>-</u>	<u>-</u>	<u>660,000</u>	<u>721,464</u>
Total assets	<u>\$ 5,663,944</u>	<u>\$ 2,183,942</u>	<u>\$ 2,049,852</u>	<u>\$ 18,156,968</u>	<u>\$ 23,948,684</u>
Liabilities, deferred inflows and fund balance					
Liabilities:					
Accounts payable	\$ 511,623	\$ 566,461	\$ -	\$ 1,614,703	\$ 1,655,348
Payroll liabilities	-	-	-	-	551,483
Due to other funds	-	-	-	660,000	5,495,864
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,095</u>
Total liabilities	<u>511,623</u>	<u>566,461</u>	<u>-</u>	<u>2,274,703</u>	<u>7,783,790</u>
Deferred inflows of resources:					
Unavailable tax revenues	<u>187,443</u>	<u>93,733</u>	<u>-</u>	<u>281,176</u>	<u>281,176</u>
Fund balance:					
Restricted for:					
Extracurricular activities	-	-	-	-	998,719
Grantor restrictions	-	-	-	-	2,033,547
Capital projects	4,964,878	1,523,748	2,049,852	16,261,089	16,261,089
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(660,000)</u>	<u>(3,409,637)</u>
Total fund balance	<u>4,964,878</u>	<u>1,523,748</u>	<u>2,049,852</u>	<u>15,601,089</u>	<u>15,883,718</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 5,663,944</u>	<u>\$ 2,183,942</u>	<u>\$ 2,049,852</u>	<u>\$ 18,156,968</u>	<u>\$ 23,948,684</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Special Revenue Funds			
	Universal Free Lunch (State funded) <u>Fund 21100</u>	Athletics <u>Fund 22000</u>	Non- Instructional Support <u>Fund 23000</u>	Title I <u>Fund 24101</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	-	-	3,180,416
Intergovernmental - state grants	2,015,645	-	-	-
Contributions - private grants	-	-	169,842	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	248,783	1,247,898	-
Investment and interest income	-	-	15,423	-
Miscellaneous	-	-	-	-
Total revenues	<u>2,015,645</u>	<u>248,783</u>	<u>1,433,163</u>	<u>3,180,416</u>
Expenditures:				
Current:				
Instruction	-	125,228	1,415,696	2,774,930
Support services:				
Students	-	-	-	-
Instruction	-	-	-	36,242
General Administration	-	-	-	-
School Administration	-	-	-	434,417
Operation of non-instructional services:				
Food services operations	2,218,369	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>2,218,369</u>	<u>125,228</u>	<u>1,415,696</u>	<u>3,245,589</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(202,724)</u>	<u>123,555</u>	<u>17,467</u>	<u>(65,173)</u>
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	<u>(202,724)</u>	<u>123,555</u>	<u>17,467</u>	<u>(65,173)</u>
Fund balance (deficit) as previously reported	(154,163)	448,303	342,792	(173,335)
Restatement	-	-	66,602	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>(154,163)</u>	<u>448,303</u>	<u>409,394</u>	<u>(173,335)</u>
Fund balance (deficit) at end of the year	<u>\$ (356,887)</u>	<u>\$ 571,858</u>	<u>\$ 426,861</u>	<u>\$ (238,508)</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Special Revenue Funds			
	Entitlement IDEA-B <u>Fund 24106</u>	Preschool IDEA-B <u>Fund 24109</u>	21st Century Community Learning Centers <u>Fund 24119</u>	Title III English Language <u>Fund 24153</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	1,447,415	-	1,189,484	262,425
Intergovernmental - state grants	-	-	-	-
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>1,447,415</u>	<u>-</u>	<u>1,189,484</u>	<u>262,425</u>
Expenditures:				
Current:				
Instruction	335,524	-	976,658	258,959
Support services:				
Students	1,059,663	-	126,269	-
Instruction	-	-	19,957	3,466
General Administration	-	-	-	-
School Administration	314,395	-	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>1,709,582</u>	<u>-</u>	<u>1,122,884</u>	<u>262,425</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(262,167)</u>	<u>-</u>	<u>66,600</u>	<u>-</u>
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	<u>(262,167)</u>	<u>-</u>	<u>66,600</u>	<u>-</u>
Fund balance (deficit) as previously reported	(1,059,181)	(19,731)	(204,215)	(461)
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>(1,059,181)</u>	<u>(19,731)</u>	<u>(204,215)</u>	<u>(461)</u>
Fund balance (deficit) at end of the year	<u>\$ (1,321,348)</u>	<u>\$ (19,731)</u>	<u>\$ (137,615)</u>	<u>\$ (461)</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025

	Special Revenue Funds			
	Title II Teacher Quality <u>Fund 24154</u>	Rural & Low- Income Schools <u>Fund 24160</u>	Carl D Perkins - Culinary <u>Fund 24174</u>	Carl D Perkins Secondary Redistribution <u>Fund 24176</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	323,569	300,755	59,197	14,635
Intergovernmental - state grants	-	-	-	-
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>323,569</u>	<u>300,755</u>	<u>59,197</u>	<u>14,635</u>
Expenditures:				
Current:				
Instruction	128,192	293,236	59,197	14,941
Support services:				
Students	-	-	-	-
Instruction	170,994	12,857	-	-
General Administration	-	-	-	-
School Administration	3,437	900	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>302,623</u>	<u>306,993</u>	<u>59,197</u>	<u>14,941</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>20,946</u>	<u>(6,238)</u>	<u>-</u>	<u>(306)</u>
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	<u>20,946</u>	<u>(6,238)</u>	<u>-</u>	<u>(306)</u>
Fund balance (deficit) as previously reported	(62,539)	-	-	-
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>(62,539)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of the year	<u>\$ (41,593)</u>	<u>\$ (6,238)</u>	<u>\$ -</u>	<u>\$ (306)</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Special Revenue Funds			
	Academic Achievement Title IV <u>Fund 24189</u>	Title I - Direct Student Services <u>Fund 24193</u>	CTE Non-Trad <u>Fund 24198</u>	CRRSA Act - ESSER II <u>Fund 24308</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	168,969	-	-	-
Intergovernmental - state grants	-	-	-	-
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>168,969</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	120,701	-	-	-
Support services:				
Students	-	-	-	-
Instruction	23,275	-	-	-
General Administration	1,276	-	-	-
School Administration	1,298	-	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>146,550</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>22,419</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	<u>22,419</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) as previously reported	(117,560)	(29)	-	(12,752)
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>(117,560)</u>	<u>(29)</u>	<u>-</u>	<u>(12,752)</u>
Fund balance (deficit) at end of the year	<u>\$ (95,141)</u>	<u>\$ (29)</u>	<u>\$ -</u>	<u>\$ (12,752)</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Special Revenue Funds			
	ARP ESSER III Fund 24330	ESSER III - Near Peer Tutoring Fund 24333	Homeless Emergency Rescue (ARP) Fund 24355	Title XIX Medicaid Fund 25153
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	1,061	15,852	2,082,555
Intergovernmental - state grants	-	-	-	-
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>1,061</u>	<u>15,852</u>	<u>2,082,555</u>
Expenditures:				
Current:				
Instruction	22,209	-	47,085	-
Support services:				
Students	28,540	-	-	2,082,555
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	1,509	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>50,749</u>	<u>1,509</u>	<u>47,085</u>	<u>2,082,555</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(50,749)</u>	<u>(448)</u>	<u>(31,233)</u>	<u>-</u>
Other financing sources:				
Transfers In	<u>134,019</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>83,270</u>	<u>(448)</u>	<u>(31,233)</u>	<u>-</u>
Fund balance (deficit) as previously reported	(124,051)	-	-	94,284
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>(124,051)</u>	<u>-</u>	<u>-</u>	<u>94,284</u>
Fund balance (deficit) at end of the year	<u>\$ (40,781)</u>	<u>\$ (448)</u>	<u>\$ (31,233)</u>	<u>\$ 94,284</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Special Revenue Funds			
	Secondary Agriculture Education <u>Fund 25230</u>	Exxon Education <u>Fund 26102</u>	JF Maddox Foundation <u>Fund 26109</u>	Microsoft Settlement Funds <u>Fund 26170</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	-	-	-	-
Contributions - private grants	-	25,000	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	-	-	-	-
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) as previously reported	2,000	-	(29,062)	2,060
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>2,000</u>	<u>-</u>	<u>(29,062)</u>	<u>2,060</u>
Fund balance (deficit) at end of the year	<u>\$ 2,000</u>	<u>\$ 25,000</u>	<u>\$ (29,062)</u>	<u>\$ 2,060</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Special Revenue Funds			
	The Bridge of Southern New Mexico <u>Fund 26215</u>	Libraries GO Bond 2010 <u>Fund 27106</u>	Libraries GO Bond 2012 <u>Fund 27107</u>	Instructional Materials - Special Appropriations <u>Fund 27109</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	-	-	116,777	-
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	116,777	-
Expenditures:				
Current:				
Instruction	-	-	-	-
Support services:				
Students	-	-	-	-
Instruction	-	-	117,638	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	117,638	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(861)	-
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	-	-	(861)	-
Fund balance (deficit) as previously reported	104,452	(1,255)	518,790	301,117
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	104,452	(1,255)	518,790	301,117
Fund balance (deficit) at end of the year	\$ 104,452	\$ (1,255)	\$ 517,929	\$ 301,117

(cont'd; 7 of 16)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	<u>Special Revenue Funds</u>			
	<u>Reads to Lead Fund 27114</u>	<u>Excellence in Teaching Fund 27125</u>	<u>Pre-K Initiative Fund 27149</u>	<u>K-5 Plus Transportation Fund 27152</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	45,735	-	1,272,280	-
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>45,735</u>	<u>-</u>	<u>1,272,280</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	32,800	-	1,305,235	-
Support services:				
Students	-	-	-	-
Instruction	13,558	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>46,358</u>	<u>-</u>	<u>1,305,235</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(623)</u>	<u>-</u>	<u>(32,955)</u>	<u>-</u>
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	<u>(623)</u>	<u>-</u>	<u>(32,955)</u>	<u>-</u>
Fund balance (deficit) as previously reported	-	32	(29,608)	10,692
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>-</u>	<u>32</u>	<u>(29,608)</u>	<u>10,692</u>
Fund balance (deficit) at end of the year	<u>\$ (623)</u>	<u>\$ 32</u>	<u>\$ (62,563)</u>	<u>\$ 10,692</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	<u>Special Revenue Funds</u>			
	ELTP Transportation <u>Fund 27153</u>	Breakfast for Elementary Students <u>Fund 27155</u>	Kindergarten 3- Plus <u>Fund 27166</u>	Afterschool Enrichment <u>Fund 27168</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	-	-	-	-
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
Instruction	-	-	-	-
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
Fund balance (deficit) as previously reported	27,139	(4,365)	(67,364)	1,498
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	27,139	(4,365)	(67,364)	1,498
Fund balance (deficit) at end of the year	\$ 27,139	\$ (4,365)	\$ (67,364)	\$ 1,498

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Special Revenue Funds			
	STEM Teacher Initiative <u>Fund 27181</u>	New Mexico Grown <u>Fund 27183</u>	Next Generation Assessments <u>Fund 27185</u>	Family Income Index <u>Fund 27407</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	-	30,560	-	202,171
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>30,560</u>	<u>-</u>	<u>202,171</u>
Expenditures:				
Current:				
Instruction	-	-	-	202,171
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Operation of non-instructional services:				
Food services operations	-	37,560	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>37,560</u>	<u>-</u>	<u>202,171</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(7,000)</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	<u>-</u>	<u>(7,000)</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) as previously reported	(12,355)	(6,362)	(5,836)	4,161
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>(12,355)</u>	<u>(6,362)</u>	<u>(5,836)</u>	<u>4,161</u>
Fund balance (deficit) at end of the year	<u>\$ (12,355)</u>	<u>\$ (13,362)</u>	<u>\$ (5,836)</u>	<u>\$ 4,161</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Special Revenue Funds			
	K12 Plus ELTP Fund 27408	Next Gen CTE Fund 27502	Government Results & Opportunities FY26 Fund 27515	Hobbs Programmatic Operational Costs Fund 27521
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	-	218,528	65,937	-
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	218,528	65,937	-
Expenditures:				
Current:				
Instruction	-	214,479	65,937	-
Support services:				
Students	-	-	-	-
Instruction	-	4,059	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	218,538	65,937	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	(10)	-	-
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	-	(10)	-	-
Fund balance (deficit) as previously reported	(195,857)	(495)	-	-
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	(195,857)	(495)	-	-
Fund balance (deficit) at end of the year	\$ (195,857)	\$ (505)	\$ -	\$ -

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Special Revenue Funds			
	NM Government Results & Opportunities FY25 <u>Fund 27522</u>	CTE State Wide Innovation <u>Fund 27552</u>	Attendance Success Initiative <u>Fund 27584</u>	Community Health <u>Fund 28149</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	79,956	178,225	128,347	-
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>79,956</u>	<u>178,225</u>	<u>128,347</u>	<u>-</u>
Expenditures:				
Current:				
Instruction	79,956	178,261	-	-
Support services:				
Students	-	-	118,957	-
Instruction	-	-	9,390	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>79,956</u>	<u>178,261</u>	<u>128,347</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(36)</u>	<u>-</u>	<u>-</u>
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	<u>-</u>	<u>(36)</u>	<u>-</u>	<u>-</u>
Fund balance (deficit) as previously reported	-	-	-	24,450
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,450</u>
Fund balance (deficit) at end of the year	<u>\$ -</u>	<u>\$ (36)</u>	<u>\$ -</u>	<u>\$ 24,450</u>

(cont'd; 12 of 16)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025

	Special Revenue Funds			
	GRADS Instruction <u>Fund 28190</u>	Start Smart K-3+ USU Study <u>Fund 28191</u>	DOH COVID Testing Program <u>Fund 28211</u>	Public School Kitchen Infrastructure <u>Fund 28221</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	-	-	-
Intergovernmental - state grants	-	-	-	141,707
Contributions - private grants	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	-
Investment and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,707</u>
Expenditures:				
Current:				
Instruction	5,273	-	-	-
Support services:				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Operation of non-instructional services:				
Food services operations	-	-	-	-
Capital outlay	-	-	-	88,380
Total expenditures	<u>5,273</u>	<u>-</u>	<u>-</u>	<u>88,380</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,273)</u>	<u>-</u>	<u>-</u>	<u>53,327</u>
Other financing sources:				
Transfers In	-	-	-	-
<i>Net change in fund balance</i>	<u>(5,273)</u>	<u>-</u>	<u>-</u>	<u>53,327</u>
Fund balance (deficit) as previously reported	-	(1,677)	84,949	(99,760)
Restatement	-	-	-	-
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>-</u>	<u>(1,677)</u>	<u>84,949</u>	<u>(99,760)</u>
Fund balance (deficit) at end of the year	<u>\$ (5,273)</u>	<u>\$ (1,677)</u>	<u>\$ 84,949</u>	<u>\$ (46,433)</u>

(cont'd; 13 of 16)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	<u>Special Revenue Funds</u>			
	Private Direct Grants <u>Fund 29102</u>	City/County Grants <u>Fund 29107</u>	Behavioral Health Services <u>Fund 29131</u>	Total Nonmajor Special Revenue <u>Funds</u>
Revenues:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Oil and gas	-	-	-	-
Intergovernmental - federal grants	-	-	-	9,046,333
Intergovernmental - state grants	-	-	-	4,495,868
Contributions - private grants	80,000	750,000	-	1,024,842
Payments in lieu of taxes	-	-	-	-
Charges for services	-	-	-	1,496,681
Investment and interest income	-	-	-	15,423
Miscellaneous	-	-	-	-
Total revenues	<u>80,000</u>	<u>750,000</u>	<u>-</u>	<u>16,079,147</u>
Expenditures:				
Current:				
Instruction	-	-	-	8,656,668
Support services:				
Students	-	-	-	3,415,984
Instruction	-	-	-	411,436
General Administration	-	-	-	1,276
School Administration	-	-	-	755,956
Operation of non-instructional services:				
Food services operations	-	-	-	2,255,929
Capital outlay	-	-	-	88,380
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,585,629</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>80,000</u>	<u>750,000</u>	<u>-</u>	<u>493,518</u>
Other financing sources:				
Transfers In	-	-	-	134,019
<i>Net change in fund balance</i>	<u>80,000</u>	<u>750,000</u>	<u>-</u>	<u>627,537</u>
Fund balance (deficit) as previously reported	-	-	3,784	(411,510)
Restatement	-	-	-	66,602
Reclassification	-	-	-	-
Fund balance as restated/reclassified	<u>-</u>	<u>-</u>	<u>3,784</u>	<u>(344,908)</u>
Fund balance (deficit) at end of the year	<u>\$ 80,000</u>	<u>\$ 750,000</u>	<u>\$ 3,784</u>	<u>\$ 282,629</u>

(cont'd; 14 of 16)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Capital Projects Funds				
	GO Bond Building <u>Fund 31100</u>	Public School Capital Outlay <u>Fund 31200</u>	Special Capital Outlay - Local <u>Fund 31300</u>	Special Capital Outlay - State <u>Fund 31400</u>	Capital Improvements HB-33 <u>Fund 31600</u>
Revenues:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ 5,726,730
Oil and gas	-	-	-	-	6,821,934
Intergovernmental - federal grants	-	-	-	-	-
Intergovernmental - state grants	-	-	-	-	-
Contributions - private grants	-	-	244,772	-	-
Payments in lieu of taxes	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment and interest income	7,483	-	481	-	-
Miscellaneous	-	-	-	-	33,912
Total revenues	<u>7,483</u>	<u>-</u>	<u>245,253</u>	<u>-</u>	<u>12,582,576</u>
Expenditures:					
Current:					
Instruction	-	-	-	-	-
Support services:					
Students	-	-	-	-	-
Instruction	-	-	-	-	-
General Administration	-	-	-	-	56,953
School Administration	-	-	-	-	-
Operation of non-instructional services:					
Food services operations	-	-	-	-	-
Capital outlay	<u>2,771,152</u>	<u>1,321,733</u>	<u>-</u>	<u>-</u>	<u>9,730,837</u>
Total expenditures	<u>2,771,152</u>	<u>1,321,733</u>	<u>-</u>	<u>-</u>	<u>9,787,790</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,763,669)</u>	<u>(1,321,733)</u>	<u>245,253</u>	<u>-</u>	<u>2,794,786</u>
Other financing sources:					
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>(2,763,669)</u>	<u>(1,321,733)</u>	<u>245,253</u>	<u>-</u>	<u>2,794,786</u>
Fund balance (deficit) as previously reported	-	2,137,870	64,518	(660,000)	2,170,092
Restatement	-	-	-	-	-
Reclassification	<u>9,360,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as restated/reclassified	<u>9,360,372</u>	<u>2,137,870</u>	<u>64,518</u>	<u>(660,000)</u>	<u>2,170,092</u>
Fund balance (deficit) at end of the year	<u>\$ 6,596,703</u>	<u>\$ 816,137</u>	<u>\$ 309,771</u>	<u>\$ (660,000)</u>	<u>\$ 4,964,878</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2025**

	Capital Projects Funds			
	Capital	Capital		
	Improvements	Improvements		
	SB-9 (Local)	SB-9 (State	Total Nonmajor	Total Nonmajor
	Fund 31701	Match)	Capital Projects	Governmental
		Fund 31703	Funds	Funds
Revenues:				
Taxes:				
Property	\$ 2,863,725	\$ -	\$ 8,590,455	\$ 8,590,455
Oil and gas	3,410,965	-	10,232,899	10,232,899
Intergovernmental - federal grants	-	-	-	9,046,333
Intergovernmental - state grants	300,000	850,655	1,150,655	5,646,523
Contributions - private grants	-	-	244,772	1,269,614
Payments in lieu of taxes	35,319	-	35,319	35,319
Charges for services	-	-	-	1,496,681
Investment and interest income	-	-	7,964	23,387
Miscellaneous	34,797	-	68,709	68,709
Total revenues	<u>6,644,806</u>	<u>850,655</u>	<u>20,330,773</u>	<u>36,409,920</u>
Expenditures:				
Current:				
Instruction	-	-	-	8,656,668
Support services:				
Students	-	-	-	3,415,984
Instruction	-	-	-	411,436
General Administration	28,480	-	85,433	86,709
School Administration	-	-	-	755,956
Operation of non-instructional services:				
Food services operations	-	-	-	2,255,929
Capital outlay	5,821,062	-	19,644,784	19,733,164
Total expenditures	<u>5,849,542</u>	<u>-</u>	<u>19,730,217</u>	<u>35,315,846</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>795,264</u>	<u>850,655</u>	<u>600,556</u>	<u>1,094,074</u>
Other financing sources:				
Transfers In	-	-	-	134,019
<i>Net change in fund balance</i>	<u>795,264</u>	<u>850,655</u>	<u>600,556</u>	<u>1,228,093</u>
Fund balance (deficit) as previously reported	728,484	1,199,197	5,640,161	5,228,651
Restatement	-	-	-	66,602
Reclassification	-	-	9,360,372	9,360,372
Fund balance as restated/reclassified	<u>728,484</u>	<u>1,199,197</u>	<u>15,000,533</u>	<u>14,655,625</u>
Fund balance (deficit) at end of the year	<u>\$ 1,523,748</u>	<u>\$ 2,049,852</u>	<u>\$ 15,601,089</u>	<u>\$ 15,883,718</u>

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SUPPLEMENTAL INFORMATION

CUSTODIAL FUNDS

Funds that meet the requirements of GASB Statement No. 84, *Fiduciary Activities*, to be considered Fiduciary Funds. The funds consist of donations/contributions made for the purpose of awarding scholarships to students. The award of scholarships from these fiduciary funds are determined the individuals/families/organizations that made the contribution.

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

COMBINING FIDUCIARY FUNDS - CUSTODIAL FUNDS
Statement of Fiduciary Net Position
June 30, 2025

	<u>Oxy Scholarship Fund</u>	<u>Jess Gonzalez Scholarship Fund</u>	<u>Lisa Calderon Scholarship Fund</u>	<u>Clark Rivinoja Scholarship Fund</u>
Assets				
Cash and cash equivalents	\$ -	\$ 7,500	\$ 1,050	\$ 36,244
Liabilities				
Liabilities:				
Accounts payable	-	-	-	-
Net Position				
Restricted for:				
Individuals, organization, and other governments	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ 1,050</u>	<u>\$ 36,244</u>

(cont'd; 1 of 2)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

COMBINING FIDUCIARY FUNDS - CUSTODIAL FUNDS
Statement of Fiduciary Net Position
June 30, 2025

	<u>Rivinoja Family Scholarship Fund</u>	<u>Martin Rockwell Scholarship Fund</u>	<u>Westinghouse Scholarship Fund</u>	<u>Total Custodial Funds</u>
Assets				
Cash and cash equivalents	\$ 9,388	\$ 5,800	\$ 68	\$ 60,050
Liabilities				
Liabilities:				
Accounts payable	-	-	-	-
Net Position				
Restricted for:				
Individuals, organization, and other governments	<u>\$ 9,388</u>	<u>\$ 5,800</u>	<u>\$ 68</u>	<u>\$ 60,050</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

COMBINING FIDUCIARY FUNDS - CUSTODIAL FUNDS

Statement of Changes in Fiduciary Net Position

For The Year Ended June 30, 2025

	<u>Oxy Scholarship Fund</u>	<u>Jess Gonzalez Scholarship Fund</u>	<u>Lisa Calderon Scholarship Fund</u>	<u>Clark Rivinoja Scholarship Fund</u>
Additions:				
Contributions:				
Gifts and bequests	\$ -	\$ 1,500	\$ 200	\$ -
Investment Earnings:				
Interest, dividends, and other	<u>-</u>	<u>-</u>	<u>-</u>	<u>324</u>
Total additions	-	1,500	200	324
 Deductions:				
Scholarships awarded	<u>5,000</u>	<u>-</u>	<u>3,135</u>	<u>-</u>
 <i>Net increase (decrease) in fiduciary net position</i>	(5,000)	1,500	(2,935)	324
 Net position at beginning of the year	<u>5,000</u>	<u>6,000</u>	<u>3,985</u>	<u>35,920</u>
Net position at end of the year	<u>\$ -</u>	<u>\$ 7,500</u>	<u>\$ 1,050</u>	<u>\$ 36,244</u>

(cont'd; 1 of 2)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

COMBINING FIDUCIARY FUNDS - CUSTODIAL FUNDS

Statement of Changes in Fiduciary Net Position

For The Year Ended June 30, 2025

	<u>Rivinoja Family Scholarship Fund</u>	<u>Martin Rockwell Scholarship Fund</u>	<u>Westinghouse Scholarship Fund</u>	<u>Total Custodial Funds</u>
Additions:				
Contributions:				
Gifts and bequests	\$ -	\$ 450	\$ -	\$ 2,150
Investment Earnings:				
Interest, dividends, and other	<u>201</u>	<u>-</u>	<u>16</u>	<u>541</u>
Total additions	201	450	16	2,691
 Deductions:				
Scholarships awarded	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,135</u>
 <i>Net increase (decrease) in fiduciary net position</i>	201	450	16	(5,444)
 Net position as previously reported	<u>9,187</u>	<u>5,350</u>	<u>52</u>	<u>65,494</u>
Net position at end of the year	<u>\$ 9,388</u>	<u>\$ 5,800</u>	<u>\$ 68</u>	<u>\$ 60,050</u>

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OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF DEBT MATURITIES

Five-year maturities of the individual debt issuances.

STATE REQUIRED DISCLOSURES

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

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOLS

SCHEDULE OF BOND MATURITIES
June 30, 2025

Bond / Note Issue	Year(s) Ending June 30,	Principal	Interest	Total	Avg Interest Rates	Due During Fiscal Year 2026	
						Principal	Interest
Series 2014A	2026	\$ 1,685,000	\$ 56,525	\$ 1,741,525	5.000%	\$ 1,685,000	\$ 49,325
November 20, 2014	2027	480,000	7,200	487,200	3.000%	-	7,200
Original Amount	2028	-	-	-		-	-
\$9,000,000	2029	-	-	-		-	-
	2030	-	-	-		-	-
	2031 - 2032	-	-	-		-	-
	Total	<u>\$ 2,165,000</u>	<u>\$ 63,725</u>	<u>\$ 2,228,725</u>		<u>\$ 1,685,000</u>	<u>\$ 56,525</u>
Series 2015	2026	\$ 740,000	\$ 12,950	\$ 752,950	3.500%	\$ 740,000	\$ 12,950
May 26, 2015	2027	-	-	-		-	-
Original Amount	2028	-	-	-		-	-
\$7,000,000	2029	-	-	-		-	-
	2030	-	-	-		-	-
	2031 - 2032	-	-	-		-	-
	Total	<u>\$ 740,000</u>	<u>\$ 12,950</u>	<u>\$ 752,950</u>		<u>\$ 740,000</u>	<u>\$ 12,950</u>
Series 2016	2026	\$ 160,000	\$ 140,125	\$ 300,125	2.000%	\$ 160,000	\$ 21,600
August 24, 2016	2027	2,000,000	118,525	2,118,525	2.000%	-	63,200
Original Amount	2028	3,840,000	55,325	3,895,325	2.250%	-	49,263
\$7,615,000	2029	485,000	6,063	491,063	2.500%	-	6,062
	2030	-	-	-		-	-
	2031 - 2032	-	-	-		-	-
	Total	<u>\$ 6,485,000</u>	<u>\$ 320,038</u>	<u>\$ 6,805,038</u>		<u>\$ 160,000</u>	<u>\$ 140,125</u>
Series 2021	2026	\$ 725,000	\$ 160,875	\$ 885,875	5.000%	\$ 725,000	\$ 89,500
September 30, 2021	2027	2,855,000	71,375	2,926,375	5.000%	-	71,375
Original Amount	2028	-	-	-		-	-
\$10,615,000	2029	-	-	-		-	-
	2030	-	-	-		-	-
	2031 - 2032	-	-	-		-	-
	Total	<u>\$ 3,580,000</u>	<u>\$ 232,250</u>	<u>\$ 3,812,250</u>		<u>\$ 725,000</u>	<u>\$ 160,875</u>

(cont'd; 1 of 2)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOLS

SCHEDULE OF BOND MATURITIES
June 30, 2025

Bond / Note Issue	Year(s) Ending June 30,	Principal	Interest	Total	Avg Interest Rates	Due During Fiscal Year 2026	
						Principal	Interest
Series 2022	2026	\$ 375,000	\$ 262,004	\$ 637,004	3.290%	\$ 375,000	\$ 22,619
June 1, 2022	2027	1,000,000	239,385	1,239,385	3.290%	-	26,814
Original Amount	2028	630,000	212,572	842,572	3.290%	-	28,823
\$9,900,000	2029	1,300,000	183,748	1,483,748	2.840%	-	61,060
	2030	3,000,000	122,688	3,122,688	2.840%	-	63,900
	2031 - 2032	2,820,000	77,532	2,897,532	2.840%	-	58,788
	Total	<u>\$ 9,125,000</u>	<u>\$ 1,097,929</u>	<u>\$ 10,222,929</u>		<u>\$ 375,000</u>	<u>\$ 262,004</u>
Series 2023	2026	\$ 145,000	\$ 102,375	\$ 247,375	5.000%	\$ 145,000	\$ 8,500
May 3, 2023	2027	195,000	93,875	288,875	5.000%	-	13,500
Original Amount	2028	345,000	80,375	425,375	5.000%	-	20,875
\$7,615,000	2029	490,000	59,500	549,500	5.000%	-	27,750
	2030	620,000	31,750	651,750	5.000%	-	23,625
	2031 - 2032	325,000	8,125	333,125	5.000%	-	8,125
	Total	<u>\$ 2,120,000</u>	<u>\$ 376,000</u>	<u>\$ 2,496,000</u>		<u>\$ 145,000</u>	<u>\$ 102,375</u>
Series 2024	2026	\$ 5,055,000	\$ 339,875	\$ 5,394,875	5.000%	\$ 5,055,000	\$ 152,375
May 30, 2024	2027	1,040,000	187,500	1,227,500	5.000%	-	52,625
Original Amount	2028	1,065,000	134,875	1,199,875	5.000%	-	80,750
\$9,325,000	2029	2,165,000	54,125	2,219,125	5.000%	-	54,125
	2030	-	-	-		-	-
	2031 - 2032	-	-	-		-	-
	Total	<u>\$ 9,325,000</u>	<u>\$ 716,375</u>	<u>\$ 10,041,375</u>		<u>\$ 5,055,000</u>	<u>\$ 339,875</u>
Total	2024	\$ 8,885,000	\$ 1,074,729	\$ 9,959,729		\$ 8,885,000	\$ 356,869
	2025	7,570,000	717,860	8,287,860		-	234,714
	2026	5,880,000	483,147	6,363,147		-	179,711
	2027	4,440,000	303,436	4,743,436		-	148,997
	2028	3,620,000	154,438	3,774,438		-	87,525
	2029 - 2033	3,145,000	85,657	3,230,657		-	66,913
	Total	<u>\$ 33,540,000</u>	<u>\$ 2,819,267</u>	<u>\$ 36,359,267</u>		<u>\$ 8,885,000</u>	<u>\$ 1,074,729</u>

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STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

CASH RECONCILIATION
Year Ended June 30, 2025

Fund Name/Grouping		Beginning Cash	Receipts (Cash Basis)	Expenditures (Cash Basis)	Permanent Transfers / Reversions	Subtotal
11000	Operational	\$ 31,142,869	\$130,570,977	\$127,473,298	\$ -	\$ 34,240,548
13000	Transportation	175,983	3,657,471	3,424,759	(87,992)	320,703
14000	Instructional Materials	46,085	-	-	-	46,085
15200	Ad Valorem & Oil/Gas Tax	1,187,023	1,423,740	1,937	-	2,608,826
21000	Food Service	218,732	5,282,793	8,398,222	-	(2,896,697)
21100	Universal Free Lunch (State funded)	-	1,789,016	2,218,369	-	(429,353)
22000	Athletics	448,303	248,783	125,228	-	571,858
23000	Non-Instructional Support	509,608	1,433,163	1,408,370	-	534,401
24000	Federal Flowthrough Funds	359,292	7,351,890	7,385,956	-	325,226
25000	Federal Direct Funds	116,461	2,111,701	2,082,554	-	145,608
26000	Local Grants	106,512	25,000	-	-	131,512
27000	State Flowthrough Funds	923,810	2,454,723	2,378,472	-	1,000,061
28000	State Direct Funds	109,399	141,707	93,166	-	157,940
29000	Local/State	3,784	830,000	-	-	833,784
31100	GO Bond Building	9,590,668	7,483	2,464,829	-	7,133,322
31200	Public School Capital Outlay	2,137,870	-	1,321,733	-	816,137
31300	Special Capital Outlay - Local	64,518	245,253	-	-	309,771
31400	Special Capital Outlay - State	-	-	-	-	-
31600	Capital Improvements HB-33	1,467,578	12,647,285	9,785,316	-	4,329,547
31701	Capital Improvements SB-9 (Local)	480,647	6,677,150	5,641,074	-	1,516,723
31703	Capital Improvements SB-9 (State Match)	1,199,197	850,655	-	-	2,049,852
41000	GO Debt Service	11,997,639	17,388,755	15,730,624	-	13,655,770
Total		<u>\$ 62,285,978</u>	<u>\$195,137,545</u>	<u>\$189,933,907</u>	<u>\$ (87,992)</u>	<u>\$ 67,401,624</u>

(con't; 1 of 2)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

CASH RECONCILIATION
Year Ended June 30, 2025

Fund Name/Grouping		Change in Payroll Liabilities	Adjustments	Change in Outstanding Loans	Total Cash on Report
11000	Operational	\$ 425,710	\$ (76)	\$ (2,785,511)	\$ 31,880,671
13000	Transportation	-	-	-	320,703
14000	Instructional Materials	-	-	-	46,085
15200	Ad Valorem & Oil/Gas Tax	-	-	-	2,608,826
21000	Food Service	51,626	1,082	3,114,347	270,358
21100	Universal Free Lunch (State funded)	-	-	429,353	-
22000	Athletics	-	-	(61,464)	510,394
23000	Non-Instructional Support	2,743	74,136	(80,958)	530,322
24000	Federal Flowthrough Funds	70,819	(123,484)	197,400	469,961
25000	Federal Direct Funds	(114,461)	-	(29,147)	2,000
26000	Local Grants	-	-	-	131,512
27000	State Flowthrough Funds	39,579	-	(74,947)	964,693
28000	State Direct Funds	-	-	(48,541)	109,399
29000	Local/State	-	-	-	833,784
31100	GO Bond Building	-	-	-	7,133,322
31200	Public School Capital Outlay	-	-	-	816,137
31300	Special Capital Outlay - Local	-	-	-	309,771
31400	Special Capital Outlay - State	-	-	-	-
31600	Capital Improvements HB-33	-	-	(660,000)	3,669,547
31701	Capital Improvements SB-9 (Local)	-	-	-	1,516,723
31703	Capital Improvements SB-9 (State Match)	-	-	-	2,049,852
41000	GO Debt Service	-	-	-	13,655,770
Total		<u>\$ 476,016</u>	<u>\$ (48,342)</u>	<u>\$ 532</u>	<u>\$ 67,829,830</u>

Change in payables	\$ (110,998)
Change in receivables	8,576
Fiduciary activities	(12,522)
Restatement	<u>66,602</u>
Total adjustment to the report	<u>\$ (48,342)</u>

(2 of 2)

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
Year Ended June 30, 2025

Bank and Account Name	Account Type	Account Classification	Bank Amount
LEA COUNTY STATE BANK:			
Operational	Checking - Interest	Cash and Cash Equivalents	\$ 1,000,164
Operational	Repurchase	Cash and Cash Equivalents	2,710,236
Debt service	Certificate of Deposit	Investment	267,144
State/Local Grants	Checking	Cash and Cash Equivalents	1,979,040
Bond Building	Checking	Cash and Cash Equivalents	6,977,579
Special Building	Checking - Interest	Cash and Cash Equivalents	309,732
Debt Service	Checking	Cash and Cash Equivalents	13,428,997
Scholarship	Checking - Interest	Cash and Cash Equivalents	633
Subtotal			<u>26,673,525</u>
WESTERN COMMERCE BANK:			
Cafeteria	Checking	Cash and Cash Equivalents	1,959,729
Activiteis	Checking	Cash and Cash Equivalents	935,420
Federal Projects	Checking	Cash and Cash Equivalents	340,195
Subtotal			<u>3,235,344</u>
WELLS FARGO BANK:			
Operational	Checking - Interest	Cash and Cash Equivalents	6,017,058
Operational	Money Market	Investment	18,039,743
Capital Projects HB33	Checking - Interest	Cash and Cash Equivalents	9,015,169
Payroll Clearing	Checking - Interest	Cash and Cash Equivalents	7,734,707
Subtotal			<u>40,806,677</u>
NEW MEXICO STATE TREASURER:			
Operational	Local Gov Investment Pool	Investment	1,020
Athletics	Local Gov Investment Pool	Investment	248,261
Bond Building	Local Gov Investment Pool	Investment	2,667
Debt Service	Local Gov Investment Pool	Investment	226,772
Subtotal			<u>478,720</u>
TOTAL DEPOSITS AND INVESTMENTS			<u>\$ 71,194,266</u>

Cash and investments:	
Bank Balance	\$ 71,194,266
Less: fiduciary funds	(349,021)
Less: Outstanding checks	(3,015,415)
	<u>67,829,830</u>
Adjustments for cash and cash equivalents:	
Less: investments	<u>(18,785,607)</u>
Reported cash and cash equivalents:	<u>\$ 49,044,223</u>

STATE OF NEW MEXICO
HOBBS MUNICIPAL SCHOOL DISTRICT

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2025

Collateral	Maturity	CUSIP #	Market Value
LEA COUNTY STATE BANK:			
Clovis NM SD 3.25%	8/1/2033	189414NY	\$ 954,360
Lea County NM PSD 4%	9/15/2031	521513DC2	973,655
NMMI4 0%	6/1/2028	647183BS0	900,117
University NM 3%	8/1/2029	914696DX4	235,012
GNR 2021 H09 FB 6 56832%	6/20/2071	38380Q4D1	3,753,900
FHMS KF67 A 5 5821%	8/25/2029	3137FNXA3	2,901,308
GNMA II 786438 6.34	1/20/2072	3622ACBF6	5,083,052
GNR 2019 H08 FN 3.11%	2/20/2069	38380LUK7	876,743
FHMS KF71 A 2.3449%	9/25/2029	3137FQ2W2	2,154,285
GNR 2023-0020 PF 6.2244%	1/20/2072	38382YL50	4,896,765
GNR 2024-30 BF 6.42%	2/20/2074	38383KOD7	4,752,125
LEA COUNTY STATE BANK (REPO ACCOUNT):			
US TREAS SER AG-2025 0.37500% NOTE	11/30/2025	91282CAZ4	2,764,441
			<u>\$ 30,245,763</u>

The above securities are held at Federal Home Bank, Dallas, TX.

WESTERN COMMERCE BANK:

FHLMC G15143	1/1/2029	3128MD5C3	\$ 141,735
FHLMC G08741	1/1/2047	3128MJ2F0	379,553
FNMA SAB2318	1/1/2041	31416XSG6	286,271
FNMA AB2748	4/1/2041	31416Y8S6	169,158
GNMA MA8142	7/20/2052	36179X8K1	1,531,883
SBAP SERIES 2010-20L	12/1/2030	83162CTS2	75,600
SBAP SERIES 2011-20G	7/1/2031	83162CUD3	130,572
SBAP SERIES 2014-208	2/1/2034	83162CW85	157,330
			<u>\$ 2,872,102</u>

The above securities are held at TIB, Dallas, TX.

WELLS FARGO BANK:

FMAC FEPC 3%	12/1/2045	3132A5ENI	\$ 11,444
FMAC FEPC 2%	1/1/2051	3133AE3S1	7,261,300
FMAC FEPC 2%	7/1/2051	3133N3X82	125,951
FNMA FNMS 3%	11/1/2042	3138MK4J2	39,549
FNMA FNMS 3.5%	9/1/2047	3140XCF29	739,472
FNMA FNMS 3%	7/1/2043	3140XFSZ5	1,233,178
FNMA FNMS 3%	11/1/2046	31418CDL5	1,309,989
FNMA FNMS 2%	6/1/2051	31418DZV7	309,154
GNMA G2SF 2.0%	11/20/2051	36179WRZ3	1,219,903
GNMA G2SF 5.0%	9/20/2052	36179XFJ0	767,699
GNMA G2SF 5.5%	1/20/2053	36179QXQ7	48,928
GNMA G2SF 4.5%	1/20/2053	36179XTB2	1,873,090
GNMA G2SF 5.0%	4/20/2053	36179XX50	154,214
			<u>\$ 15,093,871</u>

The above securities are held at Bank of New York Mellon, New York City, NY.

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COMPLIANCE SECTION
OF
HOBBS MUNICIPAL SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FISCAL YEAR 2025

JULY 1, 2024 THROUGH JUNE 30, 2025



Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

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Schedule of Findings and Responses

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Summary Schedule of Prior Year Audit Findings

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Required Disclosure

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

INDEPENDENT AUDITORS' REPORT

To the Board of Education and Audit Committee of
Hobbs Municipal School District
Hobbs, New Mexico

and

Gene Strickland, Superintendent
Hobbs Municipal School District
Hobbs, New Mexico

and

Joseph M. Maestas, P.E., CFE
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and budgetary comparisons of the general fund and each major special revenue fund of the Hobbs Municipal School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Hobbs Municipal School District's basic financial statements, and the combining and individual funds and related budgetary comparisons of Hobbs Municipal School District, presented as supplemental information, and have issued our report thereon dated December 19, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Hobbs Municipal School District's internal control over financial reporting (internal control) as a basis for designing 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 Hobbs Municipal School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hobbs Municipal School 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 Hobbs Municipal School District'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 have not been 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hobbs Municipal School 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 financial statements. 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*. We noted certain other matters that are required to be reported pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items 2025-001, 2025-002, and 2025-003.

Hobbs Municipal School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Hobbs Municipal School 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Financial Solutions, LLC
Farmington, New Mexico
December 19, 2025



SECTION 1 SUMMARY OF AUDIT RESULTS

	<u>Yes</u>	<u>No</u>	<u>Occurrences</u>
FINANCIAL STATEMENTS (Section 2):			
Type of auditor's report issued: <u>Unmodified</u>			
Internal control over financial reporting:			
Material weakness(es) identified?	_____	<u>✓</u>	<u>-</u>
Significant deficiency(ies) identified?	_____	<u>✓</u>	<u>-</u>
Non-compliance material to financial statements noted?	_____	<u>✓</u>	<u>-</u>
NEW MEXICO STATE REQUIREMENTS (Section 3):			
Internal control over state requirements:			
Other non-compliance?	<u>✓</u>	_____	<u>3</u>
Other matter?	_____	<u>✓</u>	<u>-</u>



SECTION 2 AUDIT FINDINGS – FINANCIAL STATEMENTS

There were not any findings to be reported related to the financial statements.

SECTION 3 AUDIT FINDINGS – SECTION 12-6-5 NMSA 1978

2025 – 001 (2024-001) REPORTING REQUIREMENTS *Other Noncompliance*

Condition: The District received \$13,457 of federal funding intended for the Food Service Fund (21000). The funds were recorded in the Universal Free Lunch (State funded) Fund (21100) as state sources. Additionally, there \$4,331 recorded in the federal sources classification of revenue in Food Service Fund (21000). This amount was for refunds of expenditures and the deposit of end of the year cash drawer balances that were recorded as expenditure when it was taken out at the beginning of the school year.

Management's progress from the prior year: There are indications that the District is working on and making improvements to resolve the issue.

Criteria: NEW MEXICO ADMINISTRATIVE CODE – TITLE 2 - PUBLIC FINANCE:

CHAPTER 20: Accounting By Governmental Entities: Part 5: Responsibility For Accounting Function:

2.20.5.8.C Chief Financial Officer and Assignment of Responsibilities: It is the responsibility of the chief financial officer to ensure that:

- (1) an internal control structure exists at the state agency and is functioning properly.
- (2) all transactions are recorded daily in the agency's accounting records.
- (3) all transactions are properly classified in the agency's records.
- (4) cash account records are reconciled timely each month to the division's reports and to the state treasurer's reports.
- (5) all transactions comply with federal and state law.
- (6) all expenditures have a public benefit or purpose, are necessary, and are consistent with the appropriation, the expenditure authority from the legislature and comply with Section 6-5-3 NMSA 1978, as amended.
- (7) all accounting systems, including subsidiary systems, are recording transactions timely, completely, and accurately.
- (8) all payments to vendors are accurate, timely and the state agency has certified they are for services rendered or goods received in accordance with Section 13-1-158 NMSA 1978, as amended.
- (9) all information requested by the division from the state agency is provided timely and accurately.
- (10) all reporting of financial information must be timely, complete and accurate, to the state agency's management and to oversight agencies and entities.
- (11) the state agency's annual financial statement audit is completed by the deadline established by the state auditor and the audit report includes an unqualified opinion.
- (12) a budgetary control system, approved by the state budget division of the department of finance and administration, is in place and functioning.

Cause: The District is not reconciling the revenues to source type within the special revenue funds Food Service Fund (21000) and Universal Free Lunch (State funded) Fund (21100).

Effect or potential effect: Reporting of federal revenues could be susceptible to errors and the amounts reported to the state would not be accurate.

Recommendation: The finance office should receive receipting/revenue documentation from the food service department on at least a monthly basis in order to reconcile the revenue being reported in those programs.

Management's response: Director of Student Nutrition will match reports from State/Federal to the general ledger, this will occur on month-to-month basis. Upon receiving reports, she will send them over for review and confirmation of said funds and where they belong as far as Federal and/or State. That review will be made by Assistant Superintendent of Finance and Assistant Business Manager no later than quarterly.

Responsible party(ies) for corrective action(s): : Director of Student Nutrition/ Assistant Superintendent of Finance/ Assistant Business Manager

Corrective action(s) timeline: January 1, 2026



SECTION 3 AUDIT FINDINGS – SECTION 12-6-5 NMSA 1978 (cont'd)

2025 – 002 INTERNAL CONTROLS OVER BUDGETARY EXPENDITURES

Other Noncompliance

Condition: There were unfavorable variances between actual and budgeted expenditures at the fund and function level. The District had two (2) funds that over expended the authorized budget for the year ended June 30, 2025.

FUND		TOTAL FINAL BUDGET	EXPENDITURES	VARIANCE
24189	Academic Achievement Title IV	\$ 170,254	\$ 201,067	\$ (30,813)
24330	ARP ESSER III	-	101,897	(101,897)

The District had ten (10) over expenditure of the budget at the function level for the year ended June 30, 2025. The following is a list of the unfavorable function level variances:

FUND	FUNCTION	FINAL BUDGET	EXPENDITURE	VARIANCE
11000	Operational	\$ 50,000	\$ 1,832,237	\$ (1,782,237)
15200	Ad Valorem & Oil/Gas Tax	-	1,937	(1,937)
21000	Food Service	7,280,000	8,398,222	(1,118,222)
24153	Title III English Language	193,500	258,959	(65,459)
24189	Academic Achievement Title IV	-	80,366	(80,366)
24330	ARP ESSER III	-	73,357	(73,357)
24330	ARP ESSER III	-	28,540	(28,540)
24333	ESSER III - Near Peer Tutoring	-	1,509	(1,509)
27114	Reads to Lead	27,500	32,177	(4,677)
31701	Capital Improvements SB-9 (Local)	5,056,742	5,612,594	(555,852)

Criteria: NEW MEXICO ADMINISTRATIVE CODE – TITLE 2 - PUBLIC FINANCE:

CHAPTER 20: Accounting By Governmental Entities: Part 5: Responsibility for Accounting Function:

2.20.5.8.C Chief Financial Officer and Assignment of Responsibilities: It is the responsibility of the chief financial officer to ensure that:

- (5) all transactions comply with federal and state law.
- (6) all expenditures have a public benefit or purpose, are necessary, and are consistent with the appropriation, the expenditure authority from the legislature and comply with Section 6-5-3 NMSA 1978, as amended.

NEW MEXICO STATUTES ANNOTATED 1978 – CHAPTER 22 PUBLIC SCHOOLS:

ARTICLE 8 Public School Finance:

22-8-11 Budgets; approval of operating budget:

- B. No school district or charter school or officer or employee of a school district or charter school shall make any expenditure or incur any obligation for the expenditure of public funds unless that expenditure or obligation is made in accordance with an operating budget approved by the department. This prohibition does not prohibit the transfer of funds pursuant to the department's rules and procedures.

Cause: Budget authorizations (adjustments) were not in place at the function level prior to the expenditures being incurred resulted in unfavorable (negative) variances, overspending of line item (function) budgets, to occur.

Effect or potential effect: Violation of NMSA 1978 Section 22-8-11 B, over spending of public monies. The condition could lead to expenditures being paid in excess of total budgeted amounts.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of function level expenditures. Budget adjustment requests should be approved by the Governing Board and State Public Education Department (when required) to receive approval to make necessary changes to the records prior to being presented for audit.

Management's response: In August of 2025, the District upgraded its ERP software system to Skyward Qmlativ. With this upgrade, the parameters for budget have been set to prevent a purchase order request from being entered if no available budget funds remain in a budget line item. This internal control parameters will help prevent funds from being overspent. In addition, the Assistant Superintendent of Finance/ Assistant Business Manager will review no less from quarterly each fund line item to ensure that any potential overage is corrected through budget amendments or reclassification of expenditures.

Responsible party(ies) for corrective action(s): Assistant Superintendent of Finance/ Assistant Business Manager

Corrective action(s) timeline: January 1, 2026



SECTION 3 AUDIT FINDINGS – SECTION 12-6-5 NMSA 1978 (cont'd)

2025 – 003 (2024-002) PERSONNEL FILES *Other Noncompliance*

Condition: During the review of personnel files, there were seven (7) of the thirty-nine (39) files reviewed in which the federal background checks had not been performed during the application process of hiring and prior to the employees beginning employment.

Of the thirty-nine (39) files reviewed two (2) did not have a contract available to be reviewed and one (1) had a contract that was not signed until February 5, 2025.

Management's progress from the prior year: Management has not made improvements in this area, however there are indications that the District is working to resolve the issue.

Criteria: NEW MEXICO STAUTES ANNOTATED 1978 – CHAPTER 22 PUBLIC SCHOOLS:

ARTICLE 10A School Personnel

22-10A-5.C Criminal history record check; known convictions; confidentiality; alleged ethical misconduct; reporting required; penalty for failure to report: Governing authorities shall develop policies and procedures to require criminal history record checks on an applicant who has been offered employment or who applies to be a school volunteer or works for the public school as a contractor or a contractor's employee and who may have unsupervised contact with children or students on school premises. Nothing in this section shall preclude governing authorities from developing and implementing policies or procedures requiring or affecting other or additional background or criminal history record checks of personnel or applicants for employment.

22-10A-21. Licensed school employees; employment contracts; duration.

- A. All employment contracts between superintendents and licensed school employees shall be in writing on forms approved by the department. These forms shall contain and specify the term of service, the salary to be paid, the method of payment, the causes for discharge during the term of the contract and other provisions required by the rules of the department.
- E. Except as provided in Section 22-10A-22 NMSA 1978, a licensed school employee employed by contract pursuant to this section has no legitimate objective expectancy of reemployment, and no contract entered into pursuant to this section shall be construed as an implied promise of continued employment pursuant to a subsequent contract.

22-10A-23. Licensed school employees; reemployment; acceptance; rejection; binding contract.

- A. Each licensed school employee shall deliver to the superintendent a written acceptance or rejection of reemployment for the ensuing school year within fifteen days from the following:
 - (1) the date written notice of reemployment is served upon the licensed school employee; or
 - (2) the last day of the school year when no written notice of reemployment or termination is served upon the licensed school employee on or before fifteen working days prior to the last day of the school year.
- B. Delivery of the written acceptance of reemployment by a licensed school employee creates a binding employment contract between the licensed school employee and the superintendent until the parties enter into a formal written employment contract. Written employment contracts between the superintendent and licensed school employees shall be executed by the parties not later than ten days before the first day of a school year.

Cause: The District's controls over the hiring process did not have an adequate review to ensure that all hired employees have a completed background check prior to beginning employment and that employment contracts have been executed in accordance with state statutes. A system error may have caused the two contracts to not be available for review since there was evidence that the contracted processed was initiated.

Effect or potential effect:: The District did not comply with the state statutes and the safety of students/staff could be at risk. The District and the employee do not have a binding legal contract for employment that may result in disputes over employment terms.

Recommendation: The District should not assign duties or allow work time to anyone that has not completed a background check. Additionally, a list of new hires should be provided to the business manager and payroll specialist. That list should be compared to a list from human resources that indicates the date background checks were completed.

Employment contracts should be placed in the employee files a such a way that lessen the impact of a system fault. The system logs should not be relied upon and fully executed contract with manual or digital signatures and dates should be in the employee's personnel file.



SECTION 3 AUDIT FINDINGS – SECTION 12-6-5 NMSA 1978 (cont'd)

Management's response: Upon the completion of the 23-24 Audit, HR began the process of reviewing every active employee to ensure that they had all required documents in their file. If they did not the process began for that employee to complete the missing documents. This process continued and was completed as of December 2025. HR now ensures with a check list that each individual hired or rehired has all required documents. Assistant Superintendent of Human Resources reviews and signs off on the check list.

Responsible party(ies) for corrective action(s): Assistant Superintendent of Human Resources

Corrective action(s) timeline: January 1, 2026



PRIOR YEAR FINDINGS – NOT RESOLVED

2024 – 001 REPORTING REQUIREMENTS (Other Non-compliance)
(Repeated and modified in the current year)

2024 – 002 MISSING BACKGROUND CHECKS (Other Non-compliance)
(Repeated and modified in the current year)

PRIOR YEAR FINDINGS – RESOLVED

There were not any findings to be reported from the prior year that were resolved.



PREPARATION OF THE FINANCIAL STATEMENTS

The independent public accountant (Accounting & Financial Solutions, LLC) have assisted in the preparation of the financial statements and accompanying footnotes to the financial statements. The financial statements are the responsibility of the District's management and are based on information from the District's financial records. The management of Hobbs Municipal Schools has reviewed, approved, and taken responsibility for the financial statements.

EXIT CONFERENCE

An exit conference was held December 17, 2025 and was attended by the following individuals:

HOBBS MUNICIPAL SCHOOL DISTRICT

Terry O'Brain	President, Board of Education / Audit Committee
Kerry Romine	Member, Board of Education / Audit Committee
Gene Strickland	Superintendent
Brian Byrd	Asst. Superintendent of HR
Jay Lashaway	Asst. Superintendent of Finance
Jessica Alvarado	Assistant Business Manager

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA, CFE	Partner
William King, CPA, CGFM	Partner