Issuing Municipal Securities
&
Filing the Continuing Disclosure Undertaking ("CDU") Requirements

September 23, 2015

STRICTLY PRIVATE AND CONFIDENTIAL

NMASBO
NEW MEXICO ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

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What are the funding sources available to school districts?

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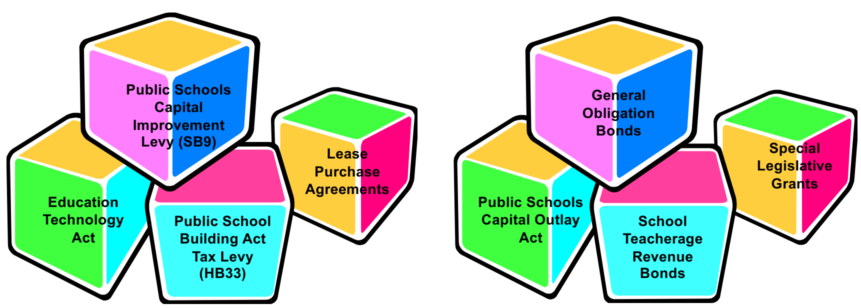
Sources of Funds for Capital Improvements



General Obligation Bonds

Constitutional Limitations

- Debt can only be incurred to erect, remodel, make additions to and furnish school buildings, purchase or improve school grounds, purchase computer software and hardware for student use in public schools, provide matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of those purposes within the District.
- Debt must be approved by a majority of voters voting.
- Total outstanding debt cannot exceed 6% of assessed valuation.

Security of Bonds

- Basic source of payment of the principal and interest on bonds is the proceeds of an ad valorem tax levy unlimited as to amount or rate, on all property in the School District subject to ad valorem taxes.

Statutory Limitations

- Bonds must be sold and delivered within **four** years of date of resolution authorizing election.
- Bonds can be sold at a public (competitive) sale or a negotiated sale.
- Alternatively, bonds can be sold at private sale to the State Treasurer or the New Mexico Finance Authority.
- Build America Bonds ("BABs") can be sold at a negotiated sale under recent legislation.
- Lowest interest rate offered is best bid at a public competitive sale.
- Maturity of bonds is limited to 20 years.

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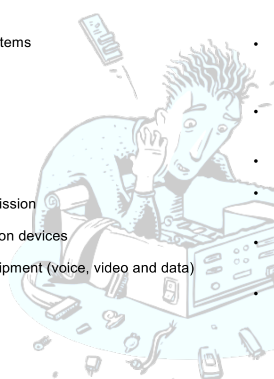
Education Technology Equipment Act

- During the November 1996 General Election, voters approved a constitutional amendment permitting districts to enter into lease-purchase agreements payable entirely or in part from ad valorem (property) taxes for the acquisition of educational technology equipment.
- Subsequently, the 1997 Legislature passed the Education Technology Equipment Act [6-15A-1 through 6-15A-16], which is the enabling legislation for implementation of the constitutional amendment.
- The constitutional amendment and the enabling legislation allow districts to create debt by entering into a lease-purchase agreement to acquire education technology equipment without submitting the proposition to a vote of qualified electors.
- Education technology equipment, including the amending legislation signed by Governor Martinez on April 8, 2011, consist of the following tools:
  - Closed-circuit television systems
  - Educational television
  - Radio broadcasting
  - Cable television
  - Satellite
  - Copper & fiber-optic transmission
  - Computer network connection devices
  - Digital communications equipment (voice, video and data)
  - Servers
  - Switches



  - Portable media such as discs and drives to contain data for electronic storage and playback
  - Software licenses or other technologies and services
  - Maintenance
  - Equipment and computer infrastructure information
  - Techniques and tools used to implement technology in schools and related facilities
  - Improvements, alterations and modifications to, or expansions of, existing buildings or personal property necessary to house or otherwise accommodate any of the tools listed above.

5 Source: New Mexico Legislature http://www.nmlegis.gov/lcs/ RBC Capital Markets

Education Technology Equipment Act – Continued

- The 2015 Legislature passed HB19 which amends and adds new material to the *Education Technology Equipment Act ("ETEA")*. It expands the definition of "education technology equipment" to include:
  - The "purchase or lease of" software licenses or other technologies and services
  - Maintenance
  - Equipment and computer infrastructure information, techniques and tools used to implement technology in schools and related facilities
  - Expenditures for technical support and training expenses of school district employees who administer education technology projects funded by a lease-purchase arrangement and may include training by contractors
- HB19 also adds a new section to the ETEA to require:
  - That, on or after July 1, 2015, a school district that assumes a debt through a lease-purchase arrangement under the provisions of the ETEA must provide, to each eligible charter school in the school district, education technology equipment equal in value to an amount that is:
    - Based upon the net proceeds from the debt after payment of cost of issuing the debt through a lease-purchase arrangement; and
    - Prorated by the number of students enrolled in the school district and in eligible charter schools as reported by the first reporting date of the prior school year; and
  - That, in the case of an approved eligible charter school that had not commenced classroom instruction in the prior school year, the amount must be based on the estimated full-time equivalent enrollment in the first year of instruction, as shown in the approved charter school application , subject to adjustment after the first reporting date.
  - That the school district board abide by the vote of the majority of those voting should the school district elect to submit the question of creating debt pursuant to the ETEA to a vote of the qualified electors of the district.

6 Source: New Mexico Legislature http://www.nmlegis.gov/lcs/

Education Technology Equipment Act - Continued

- The State Public Education Department, however, has determined that districts must include this debt in calculating their respective bonding capacities no matter which source of funding they use to make payments for the lease-purchase agreements.
- In addition, the Education Technology Equipment Act addresses the following:
  - Requires a local school board resolution and notice of proposed lease-purchase arrangements;
  - Defines associated duties and requirements of the School Budget Planning Unit of the State Public Education Department;
  - Describes lease-purchase arrangement terms;
  - Provides for the refunding or refinancing of lease-purchase arrangements;
  - Limits maturity to 5 years; and
  - Sold or issued at public competitive sale, negotiated sale or private sale to the New Mexico Finance Authority

7 Source: New Mexico Legislature http://www.nmlegis.gov/lcs/

Public Schools Capital Improvement Act (Two Mill Levy or SB #9)

As used in the Public School Capital Improvements Act [22-25-1 to 22-25-10 NMSA 1978]:

"Capital Improvements" means expenditures, including payments made with respect to lease-purchase arrangements as defined in the Education Technology Equipment Act or the Public School Lease Purchase Act but exclusive of any other debt service expenses, for:

(1) erecting, remodeling, making additions to, providing equipment for or furnishing public school buildings;

(2) purchasing or improving public school grounds;

(3) maintenance of public schools buildings or public school grounds, including the purchasing or repairing of maintenance equipment, participating in the facility information management system as required by the Public School Capital Outlay Act and including payments under contracts with regional education cooperatives for maintenance support services and expenditures for technical training and certification for maintenance and facilities management personnel, but excluding salary expenses of school district employees;

(5) purchasing activity vehicles for transporting students to extracurricular school activities; or

(6) purchasing computer software and hardware for student use in public school classrooms.

The Board Election Resolution shall provide the following:

- Identify the capital improvements for which the revenue proposed to be produced will be used;
- specify the rate of the proposed tax, which shall not exceed $2.00 on each $1,000 of net taxable value of property allocated to the school district under the Property Tax Code;
- specify the date an election will be held to submit the question of imposition of the tax to the qualified electors of the district; and
- limit the imposition of the proposed tax to no more than **six** property tax years.

The resolution authorized under Section 3 of the Public School Capital Improvement Act shall be adopted no later than May 15 in the year in which the tax is proposed to be imposed.

A resolution submitted to the qualified electors shall include capital improvements funding for a locally chartered or state-chartered charter school located within the school district if the charter school timely provides the necessary information to the school district for inclusion in the resolution that identifies the capital improvements of the charter school for which the revenue proposed to be produced will be used.

Public School Buildings Act (HB #33 Levy)

As used in the Public School Buildings Act [22-26-1 to 22-26-9 NMSA 1978], "capital improvements" means expenditures, including payments made with respect to lease-purchase arrangements as defined in the Education Technology Equipment Act but exclusive of any debt service expenses, for:

- Erecting, remodeling, making additions to, providing equipment for or furnishing public school buildings;
- Payments made pursuant to a financing agreement entered into by a school district or charter school for the leasing of a building or other real property with an option to purchase for a price that is reduced according to payments made;
- Purchasing or improving public school grounds;
- Purchasing activity vehicles for transporting students to and from extracurricular school activities, provided that this authorization for expenditure does not apply to school districts with a student MEM greater than 60,000; or
- Administering the projects undertaken, including expenditures for facility maintenance software, project management software, project oversight and district personnel specifically related to administration of projects funded by the Public School Buildings Act; provided that expenditures pursuant to this section shall not exceed 5% of the total project costs.

Limitations

- The authorized tax rate under the Public School Buildings Act, when added to the tax rates for servicing debt of the school district shall be expended only for capital improvements.
- Limit the tax rate to $10.00 per $1,000 of net taxable value of property allocated to the District
- **The rate of the proposed tax, when added to any SB9 and bond debt service, shall not exceed $15.00 per $1,000 of net taxable value of property allocated to the district.**
- Limit imposition of the proposed tax to no more than **six** property tax years.

Public School Lease Purchase Act

- As approved by voters at the general election held in November 2006, the Public School Lease Purchase Act [22-26A-1 through 22-26A-20] declares that a financing agreement entered into by a school district or a charter school for leasing of a building or other real property with an option to purchase for a price that is reduced according to the payments made by the school district or charter school is not a debt if:
  - There is no legal obligation for the school district or charter school to continue the lease from year to year or to purchase the real property; and
  - The agreement provides that the lease shall be terminated if sufficient money is not available to meet the current lease payments.
- A school board cannot enter into a Lease Purchase Agreement without approval from Public Education Department
- Lease purchase arrangement shall not exceed 30 years
- May be acquired or executed by public bid, negotiated sale, or directly negotiated or placed with owner of the building
- Payments due in connection with the lease purchase arrangement include any combination of: money from the District's general fund; investment income actually received from investment; proceeds from taxes imposed for SB9 or HB33; loans, grants or lease payments received from PSCOC; state distributions; fees or assessments; proceeds from the sale of real property and rental income; grants from the federal government (PL874 funds); revenues from the tax authorized from the Public School Lease Purchase Act; and legislative appropriations.

Public School Lease Purchase Act - Continued

- A school board may adopt a resolution to submit to the voters the question of whether a property tax should be imposed for the purpose of making payments under a specific lease purchase arrangement. The resolution shall:
  - Specify the rate of the proposed tax which shall not exceed $10.00/$1,000 net taxable value of property
  - Specify the date an election will be held
  - Limit the imposition of the proposed tax to no more than 30 property tax years
  - Be adopted no later than May 15 in the year in which the tax is proposed to be imposed
- A school district may enter into lease purchase arrangements for the purpose of refunding or refinancing any lease purchase arrangement outstanding.
- A chartered or state-chartered charter school may enter into a lease purchase arrangement pursuant to the Public School Lease Purchase Act, provided that a governing body of a charter school shall <u>not</u> propose a tax or conduct an election pursuant to Sections 8 through 12 of that act.
  - A charter school may receive revenue from a tax proposed by the local school board for the district in which the charter school is located and approved by voters.

Issuing Municipal Bonds

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Six Things to Know When Issuing Municipal Bonds

State and local governments rely on the municipal securities market to raise money to finance projects. Issuing bonds, whether done once a decade or annually, generally requires municipal governments to hire financial professionals to help. The Municipal Securities Rulemaking Board ("MSRB") plays an important role in defining the relationship that municipal governments have with financial professionals. Below are six key things for state and local governments to know about issuing municipal bonds:

1. MSRB registration is required for underwriters and municipal advisors.
2. Underwriters and municipal advisors must provide accurate information related to the sale of bonds.
3. Municipal advisors owe a fiduciary duty to their state or local government issuer clients.
4. State and local governments can use different approaches to financing capital projects to borrow at the lowest possible cost.
5. State or local government issuers can use the EMMA system to communicate important information directly to investors.
6. State or local government issuers can use EMMA to track bond trading.

Check if an underwriter or municipal advisor is registered with the MSRB at msrb.org.

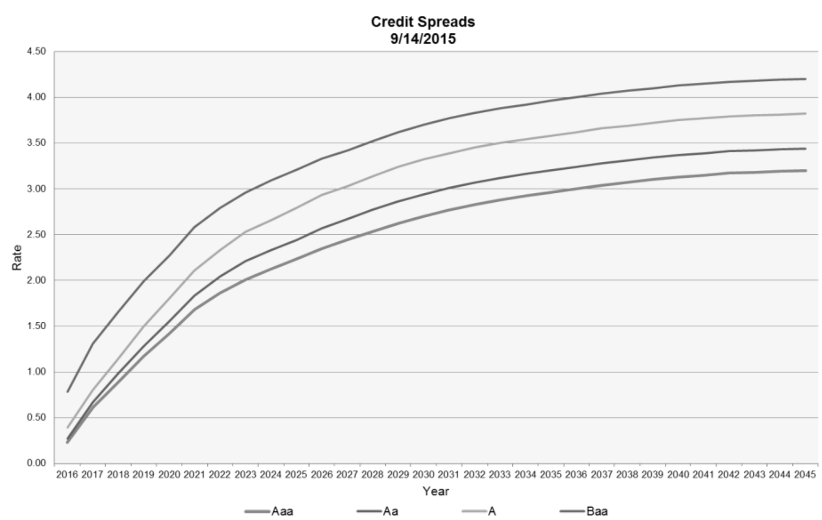
The MSRB operates the EMMA website as a centralized platform for state and local governments to communicate important information to investors.

Source: www.msrb.org and www.emma.msrb.org

What exactly is the "bond market"??

- The bond market (also known as the credit or fixed income market) is a financial market where participants issue new debt (known as the primary market) or buy and sell debt securities (known as the secondary market). This is usually done in the form of "bonds". Within the bond market are various sectors including U.S. Treasuries, agencies, corporate and municipal bonds.
- The primary goal of the bond market is to provide a mechanism for long-term funding of public and private capital expenditures.
- Daily trading in the U.S. bond market takes place between broker-dealers and large institutions in a decentralized, "over-the-counter" market.
- The "bond market" significantly influenced by the U.S. government bond market because of its size, liquidity, relative lack of credit risk and, therefore, sensitivity to interest rates.
- Because of the relationship between bond valuation (the fair price of a bond) and interest rates, the bond market is often used to indicate changes in interest rates or the shape of the yield curve.
  - The yield curve is the measure of "cost of funding".

Credit Yield Curve



Source: Municipal Market Data

What is a bond??

- A bond is a loan……plain and simple.
  - The terms, pay-back dates and interest rates are carefully spelled out in the legal documents.
- When local governments, such as school districts, need money to pay for something today, like construction of a high school, they promise to pay for it at some time in the future. Those promises are called bonds.
- There are the reasonably safe bonds called "investment grade." And there are riskier bonds called "below investment grade."
- Millions and millions of bonds are issued every year in the U.S. and the bond market in its entirety is incredibly large.
- Sometimes bonds are referred to by a different name which makes understanding bonds even more confusing.
  - Bonds are often called fixed income securities; and
  - Bonds are also called debt securities
- All bonds share some common traits.

Common Traits of Bonds

- Face Value:
  - When a bond is created, it is given a certain face value, sometimes called the par value or the principal of the bond.
    - Just as in a personal loan, the principal refers to the amount of money the borrower must return to the lender at the end of the loan term.
  - U.S. bonds are typically given a face value of $1,000.
    - So if the U.S. Treasury issued a bond issue in the amount of $100 million, it would involve the sale of 100,000 bonds with a face value of $1,000 each.
    - Municipal bonds are typically issued with a minimum face value of $5,000.
- Interest Rate and Tax Exemption:
  - All bonds pay an interest rate which is generally based on risk. The more likely it is that a bond issue will default on a loan, the higher the interest rate.
  - Interest payments on bonds are paid twice a year.
  - The interest earned on U.S. Treasuries and agency securities is subject to federal income tax and exempt from State income tax.
  - The interest earned on municipal bonds is exempt from federal income tax so investors are willing, generally, to accept a lower rate than U.S. Treasury or corporate debt which is taxable.

Common Traits of Bonds

- Maturity Dates:
  - All bonds have an expiration date, or maturity, at which time the bond issuer must return the principal to the investor.
    - Bonds that mature in less than five years are called short bonds.
    - Bonds that mature in five to 12 years are called intermediate bonds.
    - Bonds that mature in 12 years or longer are called long bonds.
    - In New Mexico, the maximum maturity for general obligation debt is limited to 20 years.
- Credit Agency Rating:
  - How safe are your bonds? Are you likely to default on the loan? Will the district have enough cash flow several years from now to make principal and interest payments? These are questions that rating agencies such as Moody's and Standard & Poor's study to determine the safety of the bonds.
  - Rating agencies assign a letter grade to bonds. A rating of 'Aaa' from Moody's is considered much safer than a 'Baa1.'

Definitions of Credit Ratings

Moody's	**Standard & Poor's & Fitch Ratings**	
Aaa	AAA	Highest possible rating - principal and interest payments considered extremely secure.
Aa1/Aa2/Aa3	AA-/AA/AA+	High quality - differs from highest rating only in the degree of protection provided bondholders.
A1/A2/A3	A-/A/A+	Good ability to pay principal and interest although more susceptible to adverse effects due to changing conditions.
Baa1/Baa2/Baa3	BBB-/BBB/BBB+	Adequate ability to make principal and interest payments -- adverse changes are more likely to affect the ability to service debt.

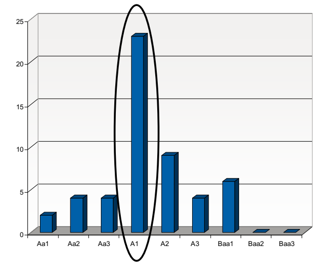
Moody’s Ratings of New Mexico School Districts

Moody's Investors Service

New Mexico School Districts

	Current Rating		Current Rating
Albuquerque Public School District	Aa1	Ruidoso Municipal School District	A1
Santa Fe Public School District	Aa1	Silver Consolidated School District	A1
Los Alamos Public School District	Aa2	Taos Municipal School District	A1
Farmington Municipal School District	Aa2	Texico Municipal School District	A1
Roswell Independent School District	Aa2	Truth or Consequences Municipal Schools	A1
Alamogordo Public School District	Aa3	Cloudcroft Municipal School District	A2
Aztec Municipal School District	Aa3	Cobre Consolidated School District	A2
Carlsbad Municipal School District	Aa3	Deming Public School District	A2
Clovis Municipal School District	Aa3	Dexter Consolidated School District	A2
Hobbs Municipal School District	Aa3	Dulce Independent School District	A2
Las Cruces Public School District	Aa3	Espanola Public School District	A2
Rio Rancho Public School District	Aa3	Estancia Municipal School District	A2
Belen Consolidated School District	A1	Las Vegas City Public School District	A2
Bernalillo Public School District	A1	Moriarty Municipal School District	A2
Bloomfield School District	A1	Socorro Consolidated School District	A2
Capitan School District	A1	Tatum Municipal School District	A2
Central Consolidated School District	A1	Tucumcari Public School District	A2
Cimarron Municipal School District	A1	Jemez Valley School District	A3
Espanola Public School District	A1	Logan Municipal School District	A3
Eunice Public School District	A1	Mesa Vista Consolidated School District	A3
Gadsden Independent School District	A1	Quemado Independent School District	A3
Gallup-McKinley County School District	A1	Raton Public School District	A3
Grants-Cibola County School District	A1	West Las Vegas Public School District	A3
Lordsburg Municipal School District	A1	Chama Valley Independent School District	Baa1
Los Lunas Public School District	A1	Pecos Independent School District	Baa1
Loving Municipal School District	A1	Penasco Independent School District	Baa1
Lovington Municipal School District	A1	Santa Rosa Consolidated School District	Baa1
Pojoaque Valley Public School District	A1	Carrizozo Municipal School District	Baa2
Portales Municipal School District	A1		

Source: Moody's Investors Service, September 2015.



Approximately 37% of New Mexico school districts fall in the A1 category. However upon request to Moody’s, every school district that sells bonds in a competitive, public sale can receive the “Aa1” rating of the NM School District Enhancement Program.

Your district needs to sell bonds.
Where do we start?

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Method of Sale

- When deciding on the most appropriate method to sell bonds, the district may consider utilizing either a "public", "negotiated", or "private placement" sale as defined below. **Legislation was passed in 2013 allowing districts to sell new money general obligation bonds by negotiated sale. It requires that the bond underwriter be selected pursuant to a Request for Proposal in accordance with the provisions of the Procurement Code.** They may also be sold at a public sale or privately placed with the State Treasurer, the New Mexico Finance Authority ("NMFA") or a bank or broker/dealer.

Public Sale

- The district selects a specific date and time to receive bids from underwriting firms to purchase and sell its bonds, based upon the maturity schedule selected for the bonds. The winning bidder is the firm offering to purchase the district's bonds at the lowest interest rate at the time bids are received.

Negotiated Sale

- The district selects a single underwriter or a team of underwriting firms through a RFP process to sell its bonds prior to the actual sale. The underwriter(s) will initially "market" the district's bonds to potential investors on a "best efforts" basis, at interest rates approved by the district's financial advisor and the district's administration. Based upon the orders received, the interest rates will be increased/decreased to reflect prevailing market conditions and the demand for the bonds in the market and the underwriter(s) will commit to purchase the district's bonds at a negotiated, specified price.

Private Placement

- The district can elect to "privately place" the bonds with the New Mexico State Treasurer's Office, the NMFA or bank.

Public Sale

General public sale considerations:

- The bond market is stable and demand for the bonds is anticipated to be strong;
- The district can reasonably expect at least three bids will be received;
- Structural features and credit quality are conventional;
- Transaction size is below $200 million; and
- The bond sale is solely to fund new projects and does not incorporate a refunding on any outstanding bonds.

Advantages:

- Provides assurance at the time of sale that the bonds were sold at the lowest interest rate, given prevailing market conditions.
- Promotes appearance of an open and fair process.

Disadvantages:

- Less flexibility to match bond sale with optimal market conditions since the date and time of bond sale must be determined approximately 7-10 days prior to sale.
- Eliminates the district's ability to ensure local residents have an opportunity to purchase the bonds.
- Underwriter(s) may include a "risk premium" in their bids as compensation for the uncertainty of being able to sell any unsold bonds at the interest rates included with their bid.
- Limited flexibility to modify financing terms (i.e. optional redemption dates, coupons, etc.) based upon investor feedback, as financing structure and terms thereof are fixed at time of sale.

Negotiated Sale

General negotiated sale considerations:

- A refunding is being completed;
- Bond market is volatile and the demand for bonds is likely to be weak;
- Substantial education of investors is required due to unique structural features or credit quality is below average;
- Transaction size is over $200 million; and/or
- Participation from retail investors or local residents is expected or desired to be high.

Advantages:

- Maximizes the district's flexibility to sell the bonds during favorable market conditions.
- Underwriter(s) may engage in more pre-sale marketing activities with potential purchasers to generate interest in the district's bonds since they are assured of the opportunity to sell the bonds. This may translate into a lower interest rate.
- Maximizes the district's ability to allow local residents the opportunity to purchase the bonds.
- Maximizes the district's flexibility to negotiate financing terms (i.e. optional redemption dates, coupons, etc.) based upon investor feedback and structure refunding escrow.

Disadvantages:

- Can potentially result in appearance of favoritism toward underwriter(s) selected.

Private Placement with NMFA or Bank

General private placement considerations:

- Interest rates produce a financing with lower costs than market conditions.
- Lower rated issues which sell less than $10 million per year.

Advantages:

- Interest rates are fixed for a certain time period up to several weeks prior to the Board meeting.
- In some cases, the district may qualify for NMFA's Disadvantaged Program which provides up to $200,000 at 0.10% interest. NMFA is considering increasing this amount to $500,000.
- Offering document is not required.
- Some costs of issuance are eliminated (i.e. rating, i-Deal, printing of OS and paying agent fees).

Disadvantages:

- Political risk of a state or local government entity to review Board's projects.
- If audit reports are late or lacking, likelihood of approval is reduced.
- If financial condition of the district is weak, likelihood of approval is reduced.

Hypothetical Comparison of Public Sale vs. Private Placement with NMFA

	Public Sale	NMFA	Savings
Par Amount of Bonds	$2,000,000	$2,000,000	
Costs of Issuance:			
Financial Advisor & Bond Counsel	50,000	50,000	$0
Moody's Rating	10,000	-	10,000
i-Deal (electronic posting & distribution)	750	-	750
NMFA Processing Fee ($7.50/$1,000)	-	15,000	(15,000)
Available for Projects	$1,939,250	$1,935,000	$4,250
Total Interest	473,333	337,811 (1)	135,522
Total Principal and Interest	$2,473,333	$2,337,811	$135,522
All-In True Interest Cost (TIC)	**3.3740%**	**2.503%**	**0.8710%**
Average Coupon	3.000%	2.141%	0.8590%
Closing Date	11-Sep-15	11-Sep-15	

(1) District qualified for disadvantaged funding which provides $200,000 at 0.10%.

Municipal Finance Professionals

- **Issuer:** A governmental entity through which tax-exempt municipal bonds are issued.
- **Bond Counsel:** An outside counsel to the issuer who gives an opinion on the tax-exempt status and validity of the bond issue.
- **Municipal Advisor**: An investment banking firm which advises the issuer in all facets of the bond process including method of sale. A municipal advisor acts in a fiduciary capacity and advises on debt capacity, debt structure, time schedules, interest rates and generally coordinates all professionals in the process of issuing bonds.
- **Disclosure Counsel:** Legal counsel hired by the issuer to provide due diligence and complete the issuer's offering document and continuing disclosure requirements.
- **Depository Trust Company ("DTC")**: Acts as securities depository for the Securities. DTC also facilitates the post-trade settlement among DTC's participants of sales and other securities transactions through electronic computerized book-entry transfers between participants' accounts. This eliminates the need for physical movement of securities certificates.
- **Underwriter or Purchaser of Bonds:** A financial institution that agrees to purchase an Issuer's bonds at either a set price or at a price as dictated by the public markets. An underwriter/purchaser does not have a fiduciary responsibility to the issuer.
- **Underwriter's or Purchaser's Counsel:** Legal counsel hired by the underwriter/purchaser to represent the underwriter or underwriters, provides the Bond Purchase Agreement and in some cases completes the issuer's offering document.

What happens after bonds are sold?

Continuing Disclosure Undertaking Requirements

When an issuer sells bonds in the public markets for $1 million and over, the issuer is required to make certain disclosure requirements annually to update bonds holders and the public, which is outlined in the Continuing Disclosure Undertaking that the issuer executes prior to closing.

Effective July 1, 2009, the Municipal Securities Rulemaking Board ("MSRB") received approval from the Securities and Exchange Commission ("SEC") to establish a continuing disclosure service which is called MSRB's Electronic Municipal Market Access System or ("EMMA").

- EMMA receives electronic submission of continuing disclosure documents and related information from issuers and/or obligated persons pursuant to Rule 15c2-12 and makes this information publicly available on the EMMA website at emma.msrb.org.
- Continuing disclosure provisions of Rule 15c2-12:
  - An underwriter for a primary offering of municipal securities subject to the rule is prohibited from underwriting the offering unless the underwriter has determined that the issuer has undertaken to provide certain items of information to the marketplace. These items include:
    1. Annual financial information concerning the issuer;
    2. Audited financial statements;
    3. Notice of certain events, if material; and
    4. Notices of failures to provide annual financial information on or before the date specified in the written undertaking.
    5. New offering documents must include descriptions of any continuing disclosure violations in the past five years.
- Continuing disclosure documents are made available to the public for the life of the securities.

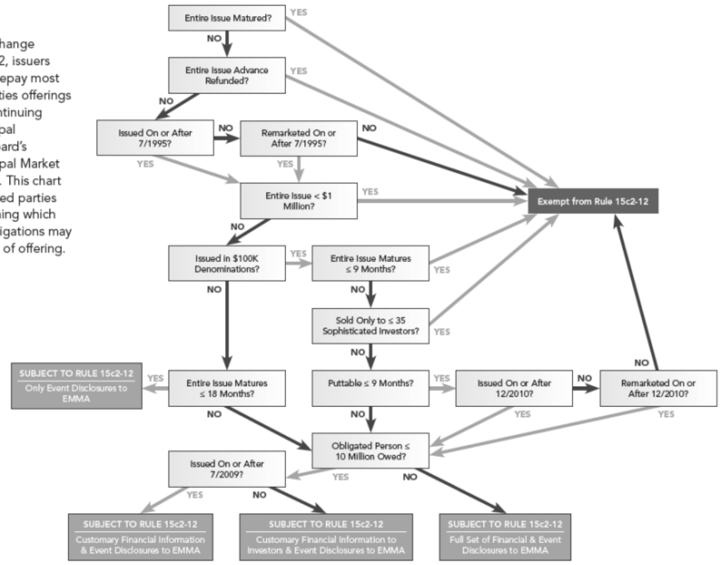
What needs to be filed?

Generally, all school districts have the same fiscal year information that needs to be filed annually. Due dates for filing are usually December 31st or March 31st of each year and must be filed for as longs as bonds are outstanding. The following is a typical list of information required to be filed:

- **Debt & Other Financial Obligations**
  - Net debt
  - Outstanding debt
  - Debt service requirements
  - Direct & overlapping debt
- **Tax Base**
  - Assessed valuation
  - History of assessed valuation
  - Major taxpayers
  - Tax rates
  - School tax rates
  - Tax collections
- **District Information**
  - Student enrollment
  - State Equalization Guarantee ("SEG") payments
  - Fiscal year audit (or unaudited financials if the audit isn't available)

Flowchart for Identifying Continuing Disclosure Requirements

Under Securities and Exchange Commission Rule 15c2-12, issuers and others obligated to repay most types of municipal securities offerings must agree to submit continuing disclosures to the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA®) website. This chart can assist issuers, obligated parties and investors in determining which continuing disclosure obligations may apply to a particular type of offering.



Source: www.msrb.org

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