

NOTICE

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2 General Obligation Refunding Bonds, Series 2015

Preliminary Official Statement
dated November 3, 2015

The Preliminary Official Statement, dated November 3, 2015 (the "Official Statement") relating to the above-described bonds (the "Bonds") of the Belen Consolidated School District No. 2 (the "Issuer"), has been posted on the Internet as a matter of convenience. Paper copies of the Official Statement are available from the Issuer by contacting the financial advisor, RBC Capital Markets, LLC, Paul Cassidy at (505) 872-5999. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat 9.0). Although this format should replicate the Preliminary Official Statement available from the Issuer, its appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat 9.0 may cause the Preliminary Official Statement that you view or print to differ in format from the Preliminary Official Statement.

The Preliminary Official Statement and the information contained therein are subject to completion or amendment or other change without notice. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

For purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Preliminary Official Statement alone, and no other document or information on the internet, constitutes the "Preliminary Official Statement" that the Issuer has deemed "final" as of its date in respect of the Bonds, except for certain pertinent information permitted to be omitted therefrom.

No person has been authorized to give any information or to make any representations other than those contained in the Preliminary Official Statement in connection with the offer and sale of the Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized. The information and expressions of opinion in the Preliminary Official Statement are subject to change without notice and neither the delivery of the Official Statement nor any sale made there under shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of the Preliminary Official Statement.

By choosing to proceed and view the electronic version of the Preliminary Official Statement, you acknowledge that you have read and understood this Notice.

Preliminary Official Statement dated November 3, 2015

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PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 3, 2015

\$6,285,000*

**BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
Valencia and Socorro Counties, New Mexico
General Obligation Refunding Bonds, Series 2015**

NEW ISSUE
Book-Entry Only

BANK-QUALIFIED
Moody's Rating: Enhanced (Underlying)

PURPOSES

Proceeds of the Bonds will be used for the purpose of (i) advance refunding the District's outstanding General Obligation School Building Bonds, Series 2007 (the "Refunded Bonds"); and (ii) paying costs of issuance on the Bonds.

THE BONDS

The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each February 1 and August 1, commencing August 1, 2016. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to the registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursement of such payments to DTC Participants is the responsibility of DTC. See "The Bonds - Book-Entry Only System". BOKF, N.A. Albuquerque, New Mexico (or successor) is the Registrar and Paying Agent for the Bonds.

OPTIONAL REDEMPTION

The Series 2015 Bonds are not subject to redemption prior to maturity as provided herein. See "THE BONDS."

SECURITY

The Bonds are general obligations of the Belen Consolidated School District No. 2, Valencia and Socorro Counties, New Mexico (the "District"), payable solely out of general (ad valorem) property taxes that are required to be levied against all taxable property in the District without limitation as to rate or amount.

BOND AND TAX OPINION

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing law and assuming continuous compliance with certain covenants in the documents relating to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, (the "Code") interest on the Bonds is excluded from gross income for federal income tax purposes, and the interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that interest on the Bonds is excluded from net income for purposes of certain New Mexico taxes imposed on individuals, estates, trusts and corporations. Bond Counsel expresses no opinion regarding other federal income tax consequences relating to the accrual or receipt of interest on the Bonds.

DELIVERY

When, as and if issued, through DTC's facilities, on or about December 15, 2015.

DATED DATE

Date of initial delivery of the Bonds.

DUE DATE

August 1, as shown below:

General Obligation Refunding Bonds, Series 2015									
Year	Principal	Interest Rate	Yield	Cusip # 77581	Year	Principal	Interest Rate	Yield	Cusip # 77581
2016	\$1,045,000 *				2020	\$970,000 *			
2017	270,000 *				2021	1,000,000 *			
2018	800,000 *				2022	1,000,000 *			
2019	1,200,000 *								

* Preliminary and subject to change.

Sealed and electronic bids will be opened at 10:30 AM, prevailing Mountain Time on Thursday, November 12, 2015.
See "Notice of Bond Sale" enclosed.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

ISSUER

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
520 N. Main Street
Belen, New Mexico 88002
(505) 966-1003

BOARD OF EDUCATION

President: Larry Lindberg
Vice-President: Tom Wisneski
Secretary: Dolores "Lola" Quintana
Member: Larry B. Garley
Member: Max Cordova

FINANCIAL ADVISOR

RBC Capital Markets, LLC
6301 Uptown Blvd. NE, Suite 110
Albuquerque, New Mexico 87110
(505) 872-5995

ESCROW & PAYING AGENT/REGISTRAR

BOKF, N.A.
201 Third Street NW, Suite 1400
Albuquerque, New Mexico 87102
(505) 222-8447

DISTRICT ADMINISTRATION

Superintendent: Max E. Perez
Director of Business and Finance: George Perea

BOND COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 4th Street NW, Suite 1000
Albuquerque, NM 87102
(505) 848-1000

ELECTRONIC BID PROVIDER

i-Deal Bidcomp/Parity
1359 Broadway – 2nd Floor
New York, New York 10018
(212) 849-5021

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- A. ECONOMIC & DEMOGRAPHIC INFORMATION
- B. EXCERPT OF AUDITED FINANCIAL STATEMENTS
- C. BOOK-ENTRY-ONLY SYSTEM
- D. FORM OF BOND COUNSEL'S OPINION
- E. CONTINUING DISCLOSURE UNDERTAKING AGREEMENT
- F. OFFICIAL NOTICE OF SALE/BID FORM/ISSUE PRICE CERTIFICATE

\$6,285,000*

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
Valencia and Socorro Counties, New Mexico
General Obligation Refunding Bonds, Series 2015

INTRODUCTION

Thank you for your interest in learning more about the \$6,285,000* Belen Consolidated School District No. 2, Valencia and Socorro Counties, New Mexico (the "District"), General Obligation Refunding Bonds, Series 2015 (the "Bonds"). This Official Statement will tell you about the Bonds, their security, the District and the risks involved in an investment in the Bonds.

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

A Few Words Regarding Official Statements

Official statements for municipal securities issues – like this one – contain the only "official" information about a particular issue of municipal securities. This Official Statement is not an offer to sell or solicitation of an offer to buy Bonds in any jurisdiction where it is unlawful to make such offer, solicitation or sale and no unlawful offer, solicitation or sale of the Bonds may occur through this Official Statement or otherwise. This Official Statement is not a contract and provides no investment advice. Investors should consult their advisors and legal counsel with their questions about this Official Statement, the Bonds or anything else related to this issue.

MARKET STABILIZATION

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

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

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

Bond 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 said firm undertaken to independently verify any of the information contained herein. Such firm has no responsibility for the accuracy or completeness of any information furnished in connection with any offer or sale of the Bonds in the Official Statement or otherwise. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent, in part, upon the sale and delivery of such Bonds and all legal fees will be paid from bond proceeds.

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

*Preliminary and subject to change.

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

District
Belen Consolidated School District
520 N. Main Street
Belen, New Mexico 87002
Attn: George Perea

Financial Advisor
RBC Capital Markets, LLC
6301 Uptown Blvd. NE, Suite 110
Albuquerque, NM 87110
Attn: Paul Cassidy

The Issuer

The District is a political subdivision of the State of New Mexico (the "State") organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 140 square miles, which includes the City of Belen (the "City") and part of unincorporated areas of Valencia and Socorro counties (the "County") in central New Mexico. The District's 2015 preliminary assessed valuation is \$578,137,481 and its 40th day enrollment for school year 2015-16 was 4,112. See "THE DISTRICT."

The Financial Advisor

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

The Financial Advisor may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Bonds.

Limited Role of Auditor

The District's auditor has not been engaged to perform and has not performed any procedures relating to this Official Statement.

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

THE BONDS

Authority

New Mexico law enables the District to issue the Bonds including NMSA 1978, Sections 6-15-1 through 6-15-22. The Department of Finance and Administration will provide a written approving opinion with respect to the Bonds.

General Terms

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

Plan of Finance

The Bonds are being offered for the purpose of (i) advance refunding the District's General Obligation School Building Bonds, Series 2007, maturing in the years 2017 through 2022 in the aggregate amount of \$6,050,000 (the "Refunded Bonds"); and (ii) paying costs of issuance of the Bonds. The Series 2007 bonds are callable on August 1, 2016. The Bonds are being issued, in part, to lower the overall annual debt service requirements of the District and to take advantage of lower interest rates to achieve economic savings.

The principal of and interest due on the Refunded Bonds are to be paid on their redemption dates from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and BOKF, N.A., Albuquerque, New Mexico (the "Escrow Agent"). The Bond Resolution provides that from the proceeds of the sale of the Bonds and District cash, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel that, as a result of such defeasance and in reliance upon the accountant's verification report, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

The District has covenanted in the Escrow Agreement to make timely deposits in the Escrow Fund from lawfully available funds of the District, of additional funds in the amounts required to pay the principal of and interest on the Refunded Bonds should, for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payments.

Security for the Bonds

The Bonds are general obligation bonds of the District and are payable from ad valorem taxes which shall be levied against all taxable property within the boundaries of the District without limitation as to rate or amount. The Bonds are additionally secured by the New Mexico Credit Enhancement Program as discussed in more detail under "NEW MEXICO CREDIT ENHANCEMENT PROGRAM," herein. The District will covenant in the Bond Resolution to levy, in addition to all other taxes, direct annual ad valorem taxes sufficient to pay the principal of and interest on the Bonds. The District may pay the principal of and interest on the Bonds from any funds belonging to the District, which funds may be reimbursed from the ad valorem taxes when the same are collected.

Sources and Uses of Funds

Sources:

- Par Amount of Bonds
- Bond Premium
- Total Sources

Uses:

- Deposit to Escrow Fund
- Underwriter's Discount
- Cost of Issuance
- Total Uses

Bond Registrar and Paying Agent

BOKF, N.A., Albuquerque, New Mexico (or its successor) will serve as the Registrar (the "Registrar") and Paying Agent (the "Paying Agent") for the Bonds. In the Bond Resolution, the District covenants to provide a Paying Agent/Registrar at all times until the Bonds are paid, and any Paying Agent/Registrar selected by the District shall be a commercial bank, a trust company, a financial institution or any other entity, as provided by State law, duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar. The Registration Books for the Bonds will be maintained by the Paying Agent/Registrar containing the names and addresses of the registered owners of the Bonds. In the Bond Resolution, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Registration Books to the successor Paying Agent/Registrar. In the event there is a change in the Paying Agent/Registrar for the Bonds the District has agreed to notify each registered owner of the Bonds affected by the change by United States mail, first-class postage prepaid, at the address in the Registration Books, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

Payment of Principal and Interest; Record Date

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

Optional Prior Redemption

The Bonds are not subject to redemption prior to their stated maturities.

Transfers and Exchanges

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent

possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required to transfer or exchange any Bond during (i) 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) 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.

Limited Book-Entry Responsibilities

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

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

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

Defeasance

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

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

Investments. Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or an eligible entity pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or an eligible trust

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

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

SECURITY AND REMEDIES

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

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

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

Limitations of Remedies

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal or interest on the Bonds. Consequently, remedies available to the owners of the Bonds, including mandamus, 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.

New Mexico School District Credit Enhancement Program

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

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

This provision applies to all New Mexico school districts.

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

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

The rating for the New Mexico School District Enhancement Program is Aa1 with a stable outlook.

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

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DEBT AND OTHER FINANCIAL OBLIGATIONS

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

Outstanding Debt

The District has never defaulted in the payment of any of its debt or other obligations.

	Original Amount	Final	Principal
<u>Series</u>	<u>Issued</u>	<u>Maturity</u>	<u>Outstanding</u>
2005A	\$9,620,000	01-Aug-17	\$800,000
2007	8,000,000	01-Aug-16	200,000
2008	5,000,000	01-Aug-22	3,950,000
2009	4,605,000	01-Aug-19	1,400,000
2013	13,250,000	01-Aug-27	10,575,000
2014	9,500,000	01-Aug-26	8,150,000
2015	<u>6,285,000</u>	01-Aug-22	<u>6,285,000</u>
	\$56,260,000		\$31,360,000

Debt Service Requirements to Maturity

Year	Current Requirements			Series 2015 Bonds			Total Requirements		
	Principal ⁽¹⁾	Interest	Total	Principal ⁽²⁾	Interest ⁽²⁾	Total	Principal	Interest	Total
2016	\$2,540,000	\$801,138	\$3,341,138	\$1,045,000 ⁽²⁾	\$79,226	\$1,124,226	\$3,585,000	\$880,363	\$4,465,363
2017	2,360,000	726,688	3,086,688	270,000 ⁽²⁾	105,300	375,300	2,630,000	831,988	3,461,988
2018	2,000,000	658,888	2,658,888	800,000 ⁽²⁾	99,900	899,900	2,800,000	758,788	3,558,788
2019	1,700,000	596,888	2,296,888	1,200,000 ⁽²⁾	83,900	1,283,900	2,900,000	680,788	3,580,788
2020	1,625,000	543,388	2,168,388	970,000 ⁽²⁾	59,900	1,029,900	2,595,000	603,288	3,198,288
2021	1,525,000	487,538	2,012,538	1,000,000 ⁽²⁾	40,500	1,040,500	2,525,000	528,038	3,053,038
2022	1,450,000	434,563	1,884,563	1,000,000 ⁽²⁾	20,500	1,020,500	2,450,000	455,063	2,905,063
2023	3,200,000	382,438	3,582,438	-	-	-	3,200,000	382,438	3,582,438
2024	2,400,000	296,938	2,696,938	-	-	-	2,400,000	296,938	2,696,938
2025	2,425,000	223,500	2,648,500	-	-	-	2,425,000	223,500	2,648,500
2026	2,450,000	138,500	2,588,500	-	-	-	2,450,000	138,500	2,588,500
2027	<u>1,400,000</u>	<u>52,500</u>	<u>1,452,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,400,000</u>	<u>52,500</u>	<u>1,452,500</u>
	\$25,075,000	\$5,342,963	\$30,417,963	\$6,285,000	\$489,226	\$6,774,226	\$31,360,000	\$5,832,188	\$37,192,188

⁽¹⁾ Does not include the Refunded Bonds.

⁽²⁾ Preliminary, subject to change. Interest shown is estimated and for informational purposes only.

Statement of Estimated Direct and Overlapping Debt

The following is a calculation, which is useful to investors in assessing the debt load and per capita debt of the District payable from property taxes. In addition to the outstanding debt of the District, the calculation takes into account debt attributable to other taxing entities that are the responsibility of taxpayers within the boundaries of the District. Revenue bonds are not payable from property taxes.

	<u>2015 Prelim. Assessed Value</u>	<u>G/O Debt Outstanding</u>	<u>Percent Applicable</u>	<u>Amount</u>
State of New Mexico	\$58,412,964,620	\$389,270,000	0.99%	\$3,852,768
Valencia County	1,340,273,903	3,895,000	39.32%	1,531,495
Socorro County	263,290,559	4,985,000	19.45%	969,543
City of Belen	128,383,887	-	100.00%	-
Rio Communities	79,923,507	-	100.00%	-
UNM Valencia	1,391,422,140	525,000	41.55%	218,138
Belen Consolidated Schools	578,137,481	31,360,000 ⁽¹⁾	100.00%	<u>31,360,000</u>
Total Direct & Overlapping				<u>\$37,931,943</u>

(1) Subject to change; includes the Bonds, but excludes the refunding bonds

SELECTED DEBT RATIOS

	<u>2015 Tax Year</u>
2015 Preliminary Assessed Valuation	\$578,137,481
2015 Estimated Actual Valuation ⁽¹⁾	\$1,875,358,485
District General Obligation	
Debt Outstanding (Including the Bonds)	31,360,000 ^{(2) (3)}
District Net General Obligation Debt	\$31,249,539
District Net Debt as a Percentage of	
Assessed Valuation	5.41%
Estimated Actual Valuation	1.67%
Estimated Direct & Overlapping G/O Debt	\$37,931,943
Direct & Overlapping Debt as a Percentage of	
Assessed Valuation	6.56%
Estimated Actual Valuation	2.02%
Estimated Population	30,900
District Net Debt Per Capita	\$1,011.31
Direct & Overlapping Debt Per Capita	\$1,227.57

(1) Actual valuation is computed by adding 2014 exemptions to the assessed valuation and multiplying the result by three.

(2) Preliminary, subject to change.

(3) Excludes the Refunded Bonds.

TAX BASE

Analysis of Assessed Valuation

Assessed valuation of property within the District is calculated as follows: Of the total estimated actual valuation of all taxable property in the District, 33 1/3 percent is legally subject to ad valorem taxes. This means the assessment ratio is 33 1/3%. After deduction of certain personal exemptions, the District's 2015 assessed valuation is \$578,137,481.

The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor.

The actual value of certain corporate property within the District (see "Central Assessments" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The analysis of assessed valuation for 2015 and the previous four years are presented below.

	2011	2012	2013	2014	2015
Assessments					
Value of Land	\$180,713,799	\$181,341,546	\$198,457,360	\$192,384,439	\$190,712,513
Improvements	279,041,438	283,095,440	252,479,757	264,934,071	270,507,517
Personal Property	8,310,732	9,109,331	7,729,942	10,050,040	7,795,100
Mobile Homes	7,049,839	7,049,075	38,812,990	40,291,301	40,721,700
Livestock	<u>4,471,392</u>	<u>4,867,679</u>	<u>6,193,012</u>	<u>6,286,930</u>	<u>6,999,258</u>
Assessor's Total Value	479,587,200	485,463,071	503,673,061	513,946,781	516,736,088
Less Exemptions	35,297,002	36,854,015	37,218,280	46,982,014	48,081,603
Assessors Net					
Valuation	444,290,198	448,609,056	466,454,781	466,964,767	468,654,485
Central Assessed	<u>101,451,031</u>	<u>101,142,217</u>	<u>91,015,036</u>	<u>103,162,694</u>	<u>109,482,996</u>
Total Assessed					
Valuation	<u><u>545,741,229</u></u>	<u><u>549,751,273</u></u>	<u><u>557,469,817</u></u>	<u><u>570,127,461</u></u>	<u><u>578,137,481</u></u>
Residential	\$308,347,243	\$316,102,471	\$325,376,508	\$332,715,485	\$337,742,917
Non-Residential	<u>237,393,986</u>	<u>233,648,802</u>	<u>232,093,309</u>	<u>237,411,976</u>	<u>240,394,564</u>
	<u><u>545,741,229</u></u>	<u><u>549,751,273</u></u>	<u><u>557,469,817</u></u>	<u><u>570,127,461</u></u>	<u><u>578,137,481</u></u>

Source: State of New Mexico, Taxation & Revenue Department, Property Division, and Valencia and Socorro County Assessors' Office

Major Taxpayers

The following is a list of the ten largest taxpayers in the District, along with the 2015 assessed valuation for each. This table is useful in assessing the concentration risk of the tax base. The ten largest taxpayer's assessed valuation is 18.3% of the District's total 2015 assessed value.

<u>Taxpayer</u>	<u>Business</u>	<u>2015 Valuation</u>	<u>% of District A.V.</u>
Valencia Power	Power Plant	\$37,708,562	6.52%
BNSF Railroad	Railroad	36,768,071	6.36%
Public Service Co. of NM	Utility	15,979,474	2.76%
El Paso Natural Gas	Pipeline	3,419,133	0.59%
Magellan Pipeline	Pipeline	2,880,221	0.50%
Transwestern Pipeline	Pipeline	2,280,276	0.39%
New Mexico Gas Company	Utility	2,131,641	0.37%
Socorro Electric Co-op	Utility	1,932,544	0.33%
Qwest	Telephone Utility	1,735,853	0.30%
Plateau Telephone	Telephone Utility	944,320	0.16%
Total		\$105,780,095	18.30%

Source: Valencia and Socorro counties assessor's offices.

School Tax Rates

The following table shows the historical school tax levies on property within the District since the 2011 tax year (2011-12 fiscal year). The Two Mill Levy, a capital improvements tax imposition, is renewed every six years, most recently in February 2011. This table breaks down the District's total tax rate shown in the next table.

<u>Tax Year</u>	<u>Operational</u>		<u>Two Mill Levy</u>		<u>G/O Bonds</u>	<u>Ed Tech Obligations</u>	<u>Total Debt Service</u>	<u>Total</u>	
	<u>Resid.</u>	<u>Non-Resid.</u>	<u>Resid.</u>	<u>Non-Resid.</u>				<u>Resid.</u>	<u>Non-Resid.</u>
2011	\$0.210	\$0.484	\$1.963	\$1.935	\$7.606	0.000	\$7.606	\$9.779	\$10.025
2012	0.209	0.480	2.000	2.000	7.676	0.000	7.676	9.885	10.156
2013	0.211	0.500	2.000	2.000	7.675	0.000	7.675	9.886	10.175
2014	0.211	0.500	1.988	2.000	7.676	0.000	7.676	9.875	10.176
2015	0.254	0.500	1.997	2.000	7.676	0.000	7.676	9.927	10.176

Source: New Mexico Department of Finance & Administration.

TAX RATES

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question. The following table summarizes the tax situation on residential property for the 2015 tax year and the previous four years. The District expects no change in the level of its taxes in the foreseeable future but is unable to predict what overlapping entities might do. A high level of taxation may impact the District's ability to repay bonds.

	<u>Within 20 Mill Limit for General Purposes</u>				
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
State of New Mexico	0.000	0.000	0.000	0.000	0.000
Valencia County	6.877	6.940	6.519	6.508	6.427
City of Belen	5.492	5.489	5.564	5.589	5.524
Belen Schools	<u>0.254</u>	<u>0.255</u>	<u>0.211</u>	<u>0.211</u>	<u>0.209</u>
Total	12.623	12.684	12.294	12.308	12.160
	<u>Over 20 Mill Limit - Interest, Principal, Judgement, etc.</u>				
State of New Mexico	1.360	1.360	1.360	1.362	1.530
Valencia County	0.745	0.907	0.709	0.527	0.780
City of Belen	0.000	0.000	0.000	0.000	0.000
Other	2.733	5.522	5.513	6.282	5.536
Belen Schools	<u>9.673</u>	<u>9.674</u>	<u>9.675</u>	<u>9.676</u>	<u>9.569</u>
Total	14.511	17.463	17.257	17.847	17.415
	<u>Total Levy</u>				
State of New Mexico	1.360	1.360	1.360	1.362	1.530
Valencia County	7.622	7.847	7.228	7.035	7.207
City of Belen	5.492	5.489	5.564	5.589	5.524
Other	2.733	5.522	5.513	6.282	5.536
Belen Schools	<u>9.927</u>	<u>9.929</u>	<u>9.886</u>	<u>9.887</u>	<u>9.778</u>
Total Residential -	27.134	30.147	29.551	30.155	29.575
Total Non-Residential - City of Belen	32.528	35.316	34.674	34.821	35.212
Total Residential in Unincorporated Valencia County	21.642	21.193	23.976	24.482	24.079
Total Non-Residential in Unincorporated Valencia County	26.981	29.893	29.694	30.180	29.573
Total Residential - Socorro County	27.886	29.055	28.905	29.321	27.819
Total Non-Residential - Socorro County	31.028	32.422	32.421	33.226	31.276

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

Yield Control Limitations

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

Developments Limiting Residential Property Tax Increases

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

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

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

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

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

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

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

TAX COLLECTIONS

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

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Current Tax Collections ⁽¹⁾</u>	<u>Current Collections as a % of Net Levied</u>	<u>Current/Delinquent Tax Collections ⁽²⁾</u>	<u>Current/Delinquent Collections as a % of Net Levied</u>
2014	14/15	\$43,836,471	\$40,284,482	91.90%	\$40,284,482	91.90%
2013	13/14	42,023,897	38,542,428	91.72%	40,152,070	95.55%
2012	12/13	41,190,648	37,613,848	91.32%	39,665,560	96.30%
2011	11/12	41,108,956	37,356,417	90.87%	39,869,892	96.99%
2010	10/11	39,174,508	35,560,334	90.77%	38,146,724	97.38%

⁽¹⁾ Current collections through June 30 of each year

⁽²⁾ As of June 30, 2015.

Source: Valencia County Treasurer's Office

Interest on Delinquent Taxes

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

Penalty for Delinquent Taxes

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

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

Remedies Available for Non-Payment of Taxes

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

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

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

THE DISTRICT

The District is a political subdivision of the State organized for the purpose of operating and maintaining an educational program for school-age children residing within its boundaries.

The District encompasses portions of Valencia and Socorro Counties and is located in central New Mexico. The District contains approximately 1,081 square miles with an estimated 2014 population of 30,900. The District operates eleven schools including seven elementary schools, one middle school, one middle school, one family school, an alternative high school, and one regular high school.

School District Powers

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

Management

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

Larry Lindberg, President
term expires March 1, 2019

Larry B. Garley, Member;
term expires March 1, 2017

Tom Wisneski, Vice President;
term expires March 1, 2019

Max Cordova, Member;
term expires March 1, 2019

Dolores "Lola" Quintana, Secretary,
term expires March 1, 2017

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

Max E. Perez, Superintendent of Schools

George Perea, Director of Business and Finance

Insurance

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

Enrollment

The District's enrollment has decreased by .65%% from the 2014-15 school year. Set forth below is the District's enrollment for the school years 2011-12 through 2015-16 including special education and bilingual students. For a discussion of the relationship between student enrollment and amounts of financial support provided by the State for public schools, see "FINANCES OF THE EDUCATIONAL PROGRAM - SOURCES OF REVENUES".

Grade	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016*</u>
ECE	456	410	395	379	
1	338	376	367	336	
2	337	323	340	355	
3	370	323	311	329	
4	348	347	320	308	
5	364	354	340	306	
6	366	344	334	324	
7	333	344	313	309	
8	310	325	305	305	
9	437	361	446	313	
10	350	378	205	319	
11	270	249	366	241	
12	<u>274</u>	<u>229</u>	<u>175</u>	<u>315</u>	
Total:	4,553	4,363	4,217	4,139	4,112
YOY %	-3.58%	-4.17%	-3.35%	-1.85%	-0.65%

* Preliminary 2015-16 40th day enrollment; additional detail not available at this time.

Source: The District and NM Public Education Department.

FINANCES OF THE EDUCATIONAL PROGRAM

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

Sources of Revenues for General Fund

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

Local Revenues - Local revenues are a minor source of revenue to the District made up, in part, by a property tax annually levied on and against all of the taxable property within the District for operational purposes. The levy is limited by State law to a rate of 50 cents for each \$1,000 of net taxable value of taxable property. Other sources of local revenues include interest income earned on the District's investments, rentals and sale of property. In the fiscal year 2014 the District received \$873,473 from local sources.

Federal Revenues - Another minor source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs and P.L. 874 federal impact moneys paid to the District in lieu of taxes on federal land located in the District. In fiscal year 2014, the District received \$3,385 in federal revenues for its General Fund.

State Revenues - The District's largest source of annual revenue is derived from the State Equalization Guarantee distribution described below. During fiscal year 2014 the District received \$30,896,549 from state sources. Such payments represented approximately 97.2% of actual fiscal year 2014 General Fund Revenues.

State Equalization Guarantee Program

The State Legislature enacted New Mexico's current public school funding formula in 1974. Designed to distribute operational funds to local school districts in an objective manner, the funding formula is based upon the educational needs of individual students and costs of the programs designed to meet those needs. Program cost differentials are based upon nationwide data regarding the relative costs of various school programs, as well as data specific to New Mexico. The objectives of the formula are (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 to the District are as follows:

<u>Year</u>	<u>Unit Factor</u>	<u>Amount</u>
2011-2012	3,585.97	30,360,634
2012-2013	3,668.18	29,242,429
2013-2014	3,817.55	29,215,541
2014-2015	4,005.75	29,971,920 ¹
2015-2016	4,027.75	30,154,890 ²

¹ From the District's unaudited results.

² From the District's 2015-2016 budget.

Source: New Mexico Public Education Department.

The PED receives federal mineral-leasing funds from which it makes annual allocations to the District for purchasing textbooks. In fiscal year 2014, the District received \$246,873 for textbook purchases.

The District is also reimbursed by the State for the costs of transporting pupils to and from school. These payments are based upon a formula consisting of the number of students per square mile that are transported. In fiscal year 2014 the District received \$778,552 for transportation purposes.

Balance Sheet

Below is a history of the District's Balance Sheet for all governmental activities.

BALANCE SHEET - All Governmental Activities					
<i>Fiscal Year Ending June 30:</i>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
<u>Current Assets</u>					
Cash & investments	\$11,937,439	\$9,903,623	\$8,405,779	\$4,912,997	\$22,768,599
Receivables	1,119,781	3,194,709	2,907,761	3,951,706	3,259,356
Inventory	123,414	169,631	192,581	193,317	203,567
Total Current Assets	\$13,180,634	\$13,267,963	\$11,506,121	\$9,058,020	\$26,231,522
<u>Non-current Assets</u>					
Restricted Cash and Equivalents	\$4,174,954	\$4,498,232	\$4,338,141	\$4,569,664	-
Bond Premiums Net of Amortizations	30,986	26,612	22,237	17,862	13,489
Bond Issuance Costs Net of Amortization	160,556	144,309	128,063	111,817	0
Capital Assets net of depreciation	61,113,317	60,612,549	66,153,518	59,243,352	60,696,811
TOTAL ASSETS	78,660,447	78,549,665	82,148,080	73,000,715	86,941,822
LIABILITIES AND NET ASSETS					
<u>Current Liabilities</u>					
Accounts Payable	\$411,856	\$743,851	\$1,061,910	\$571,789	\$1,840,551
Accrued compensated absences	324,107	331,499	418,673	224,719	393,958
Accrued Payroll	1,362,171	607,762	621,227	642,877	1,482,678
Accrued Interest	431,455	380,909	342,469	312,643	450,393
Unearned revenues	-	-	-	-	24,110
Due to Other Governments	-	-	27,877	27,877	-
Due to Agency Fund	-	-	-	103,705	-
Current Portion of Long-term Debt	2,575,000	2,650,000	2,110,000	1,830,000	4,295,000
Total Current Liabilities	5,104,589	4,714,021	4,582,156	3,713,610	8,486,690
<u>Non-Current Liabilities</u>					
Long-term Debt	24,605,000	21,955,000	19,845,000	18,015,000	26,970,000
Bond Premium	165,787	145,204	124,624	104,038	176,342
Accrued Compensated Balances	194,876	259,488	39,797	282,279	18,172
Total Non-current Liabilities	24,965,663	22,359,692	20,009,421	18,401,317	27,164,514
TOTAL LIABILITIES	30,070,252	27,073,713	24,591,577	22,114,927	35,651,204
<u>Net Assets</u>					
Invested in Capital Assets	32,732,914	36,007,549	42,961,624	37,302,661	29,268,958
Restricted for:					
Debt Service	6,777,401	7,793,166	5,596,146	7,499,792	9,974,912
Capital Projects	4,136,796	1,992,206	2,806,831	2,087,531	9,649,997
Special Revenue	1,967,148	2,129,050	1,807,698	1,290,307	1,600,235
Unrestricted	2,975,936	3,553,981	4,384,207	2,705,497	796,516
Total Net Assets	48,590,195	51,475,952	57,556,506	50,885,788	51,290,618
TOTAL LIABILITIES & NET ASSETS	78,660,447	78,549,665	82,148,083	73,000,715	86,941,822

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

Statement of Revenues, Expenditures & Changes in Fund Balances

Listed below is the GASB 34 Statement of Revenues, Expenditures and Changes in Fund Balances (General Fund). The General Fund includes the following funds: Operational, Transportation and Instructional Materials. Also included are the unaudited operating results for fiscal year ending June 30, 2015.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND

<i>Fiscal Year Ending June 30</i>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	UNAUDITED <u>2015*</u>
Revenues:						
Local Sources:						
Property Taxes	\$126,971	\$156,354	\$172,593	\$179,193	\$179,725	\$196,000
Fees and Charges	101,832	57,369	72,761	49,591	274,075	88,947
Interest	3,518	0	1,516	9,565	465	285
Miscellaneous	30,568	15,394	79,570	88,368	419,208	420,365
State Sources:						
State Direct	29,411,964	30,410,201	30,374,504	29,242,429	29,215,541	29,971,920
State Flow-Through	390,190	250,029	192,407	659,400	246,873	316,041
Transportation	1,486,308	1,413,654	1,288,765	1,432,912	1,434,135	1,487,676
Federal Sources:						
Flow-Through	273,506	860,572	150,398	372,710	-	108,140
Direct	<u>5,139</u>	<u>19,715</u>	<u>66,147</u>	<u>50,779</u>	<u>3,385</u>	<u>21,310</u>
Total Revenues	<u>31,829,996</u>	<u>33,183,288</u>	<u>32,398,661</u>	<u>32,084,947</u>	<u>31,773,407</u>	<u>32,610,683</u>
Expenditures:						
Instruction	18,435,623	18,118,233	17,318,494	17,611,205	18,209,755	17,660,431
Support Services:						
Students	-	-	-	-	3,161,926	3,249,140
Instruction	7,207,403	6,879,535	6,430,092	7,010,366	721,943	657,552
General Administration	1,493,068	1,543,181	1,415,233	1,140,706	919,227	1,138,875
School Administration	-	-	-	-	1,927,907	1,832,431
Central Services	-	-	-	-	1,098,873	1,399,254
Operation & Maintenance of Plant	2,948,284	3,831,100	5,223,869	5,670,941	5,381,817	5,623,444
Food Services	-	-	36,477	-	-	-
Student Transportation	1,704,819	1,681,948	1,452,768	1,698,235	1,599,701	1,700,018
Other support Services	-	-	-	-	87,651	83,792
Community Services	69,357	54,334	77,462	82,041	79,531	74,027
Capital Outlay	-	-	-	-	-	-
Total	<u>31,858,554</u>	<u>32,108,331</u>	<u>31,954,395</u>	<u>33,213,494</u>	<u>33,188,331</u>	<u>33,418,963</u>
Excess revenues over expenditures	(28,558)	1,074,957	444,266	(1,128,547)	(1,414,924)	(808,280)
Fund Balance Beginning of Year	2,559,369	2,544,706	3,619,663	4,197,950	3,064,009	
Transfers/Refunds/Adjustments	<u>13,895</u>	-	<u>134,021</u>	<u>(5,394)</u>	<u>(67,688)</u>	
Fund Balance at End of Year	<u>2,544,706</u>	<u>3,619,663</u>	<u>4,197,950</u>	<u>3,064,009</u>	<u>1,581,397</u>	

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

* The results for fiscal year ending 2015 are on a cash or budgetary basis as required by the Public Education Department of the State of New Mexico.

Title I Special Revenue Funds

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

Debt Service

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

Bond Building Capital Projects

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

Agency Funds

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

District Budget Process

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

- Before April 15 of each year, the District must submit an estimated budget for the next school year to the PED. If the District fails to submit a budget, the PED must prepare a District budget for the ensuing year.
- Before June 20 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
- On or before July 1 of each year, the PED must approve and certify an approved operating budget for use by the District board.

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

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

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

Retirement Plan

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 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

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, NMSA 1978). The Educational Retirement Board ("ERB") is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Member Contributions:

Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually are required to make the following contributions to the plan: 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions:

In fiscal year 2014, the District was required to contribute 13.15% of the gross covered salary for all eligible employees. Starting in fiscal year 2015, the District will contribute 13.9% for all eligible employees. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contribution requirements for the fiscal years ending June 30, 2014, 2013, and 2012 were \$2,822,059, \$2,419,132, and \$2,185,680, respectively.

Recent Legislative Changes

Recent legislative changes enacted during the 2009, 2010, 2011, 2012 and 2013 legislative sessions also amended various provisions of the ERA, to improve the long-term stability of the fund. Senate Bill 115 (Chapter 61, Laws 2013) ("SB-115") below is the most recent legislative action.

Senate Bill 115 ("SB-115") amends the ERA. The law increases employee contributions for members whose salary exceeds \$20,000 per year to 10.1% in fiscal year 2014 and 10.7% beginning in fiscal year 2015; keeps in place scheduled increases in employer contribution rates; creates a new tier membership for persons who become members of the ERB fund on or after July 1, 2013; creates certain actuarial limitations on benefits of new tier members; places 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 makes certain other clarifying and technical changes. The projected actuarial funded ratio in 2043 with changes made by SB-115 is 100.7%.

In July 2012, the ERB adopted goals of achieving a 95%, plus or minus 5%, funded ratio by 2040. The amendments to the Educational Retirement Act made through enactment of SB-115 are intended to assist the ERB in achieving these goals.

ERB pensions are adjusted annually by a COLA beginning on the later of either July 1 of the year in which a member reaches age 65 or July 1 following the year a member retires. SB-115 reduces the amount of the COLA until ERB is 100% funded. The amount of the adjustment is determined by the change in the Consumer Price Index ("CPI"), the retiree's pension amount and the retiree's service credit. Pensions cannot be decreased if there is a decrease in the CPI.

Pension Plan Statistics

Following is a five-year history of employer and employee contributions statewide, and average asset balance of the fund:

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Employee Contribution</u>	<u>Average Assets</u>
2014	\$362,462,537	\$268,693,991	\$11,442,471,449
2013	299,657,530	248,785,187	10,358,058,861
2012	253,845,277	289,852,094	9,606,304,017
2011	308,367,952	247,407,988	9,642,229,673
2010	313,276,296	250,666,650	9,431,321,589
2009	323,685,497	212,014,023	9,366,271,312

Net Pension Liability of Plan Membership

The components of the net pension liability of the Plan's membership at June 30, 2014 and 2013 were as follows:

	2014	2013
Total pension liability	\$17,051,806,637	\$16,468,550,952
Plan fiduciary net position	<u>(11,346,075,824)</u>	<u>(10,191,698,803)</u>
Plan membership net pension liability	<u>\$ 5,705,730,813</u>	<u>\$ 6,276,852,149</u>
Plan fiduciary net position as a percentage of the total pension liability	66.54%	61.89%

The District's share of the plan membership net pension liability as prorated by the ERB is 0.77807% or \$44.39 million.

Post-Employment Benefits

The Retiree Health Care Act created the Retiree Healthcare Fund ("Fund"), administered by the New Mexico Retiree Health Care Authority ("NMRHCA"), for the purpose of providing eligible retirees, their spouses and dependents, and surviving spouses and dependents with healthcare insurance. Payments are made to the Fund on a pay-as-you-go basis by eligible employers and eligible retirees.

Each participating employer, including the District, makes contributions to the Fund in the amount of 2.00% of each participating employee's annual salary for fiscal year ending June 30, 2013, and subsequent periods. Similarly, contributions for participating employees who are not members of the enhanced retirement plan will be 1.0% for fiscal year ending June 30, 2013, and subsequent periods. Contributions for participating employees who are members of the enhanced retirement plan will be 1.25% for fiscal year ending June 30, 2013, and subsequent periods. The NMRHCA issues a separate, publicly available audited financial report, and it may be requested by writing to the NMRHCA, 4308 Carlisle NE, Albuquerque, NM 87107.

For the years ending June 30, 2014, 2013, and 2012, the District contributions to the NMRHCA were \$430,473, \$435,571, and \$413,805, respectively.

Based on the Governmental Accounting Standards Board ("GASB") Statement 43 valuation for the fiscal year ended June 30, 2006, and assuming that the Fund is an equivalent arrangement to an irrevocable trust and then using a discount rate of 5.0%, the unfunded actuarial accrued liability ("UAAL") has been calculated to be approximately \$4.1 billion. As required by GASB Statement 43, this calculation takes into consideration only current assets of the Fund. The Legislative Council, the Legislative Finance Committee, the Governor and the NMRHCA, as required by statute, established a working group that, among other things, examined the options to improve the actuarial soundness of the Fund and reported its findings to the Governor, the New Mexico Legislative Council, the Legislative Finance Committee and the NMRHCA.

Recent actions by the NMRHCA improved its financial outlook. As recently as January 2008, the Fund was projected to be insolvent by June 2014. The NMRHCA recently increased premiums paid by retirees in response to recommendations from the Legislature in 2008.

These actions increased the projected solvency period to approximately June 2020. The NMRHCA also established as policy that premium increases going forward should track medical trend increases. In the past, premium increases were substantially lower than medical inflation, which was a leading contributor to declining solvency. Under current law, the District is not responsible for any future deficiencies in the Fund.

Source: State of New Mexico, Educational Retirement Board and the District.

LEGAL MATTERS

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

TAX MATTERS

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

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

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

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

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service will treat the District as the taxpayer and the Bond owners may have no right to participate in such procedure. None of the District, the Financial Advisor, or Bond Counsel is obligated to defend the tax-exempt status of the Bonds. However, the District has covenanted in the Bond Resolution not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income, except to the extent described above, for the owners thereof for federal income tax purposes.

None of the District, the Financial Advisor, or Bond Counsel is responsible to pay or reimburse the costs of any Bond, owner with respect to any audit or litigation relating to the Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

ORIGINAL ISSUE DISCOUNT

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

ORIGINAL ISSUE PREMIUM

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

LITIGATION

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

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

CONTINUING DISCLOSURE UNDERTAKING

For the benefit of bondholders and to enable a broker, dealer or municipal securities dealer to comply with requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission, the District has undertaken to provide to the Municipal Securities Rulemaking Board (the "MSRB") MSRB's Electronic Municipal Market Access ("EMMA"), its audited financial statements and certain financial and operating information. The District will provide financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS – Outstanding Debt," "TAX BASE-Analysis of Assessed Valuation," "TAX RATES," "TAX COLLECTIONS," "THE DISTRICT – Enrollment," and the Audited Financial Statements when available for distribution. The District will update and provide this information no later than March 31 of each year, commencing March 31, 2017, for the fiscal year ending on the preceding June 30. A draft of the Continuing Disclosure Undertaking is attached hereto as Appendix E.

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

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

Event Notices

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

Limitations and Amendments

The District may amend this Undertaking from time to time, without the consent of any Owner, upon the District's receipt of an opinion of independent counsel experienced in federal securities laws to the effect that such amendment (a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the District; (b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and (c) the amendment does not materially impair the interests of the Owners.

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

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

Compliance with Prior Undertakings

Pursuant to existing continuing disclosure undertakings, the District has made annual filings in a timely manner. However, completion of the District's audits for fiscal years ending June 30, 2010, 2011 and 2012 were delayed so audit filings were also delayed. In lieu of audits, the District included unaudited financial results as part of its annual filings in 2010 as amended, 2011 and 2012, and the delayed audits were discussed as well. The delayed audits were filed as they became available pursuant to SEC Rule 15c2-12.

In connection with the delayed audits for 2010 and 2011, Moody's Investors Service withdrew the District's rating on November 27, 2012, and a Material Event filing should have been filed on the Municipal Securities Rulemaking Board's EMMA website, but this was not done. (Please note that the New Mexico School District Enhancement Program rating was not affected.) In this regard, a "Failure to Provide Event Filing Information" was filed on July 30, 2013. The audited financial statement for the fiscal year ending June 30, 2013, was filed on January 13, 2014, and the audit for the fiscal year ending June 30, 2014, was filed on January 30, 2015.

RATINGS

Moody's Investors Service has assigned the Bonds a rating of "____" with the understanding that the Bonds will qualify under the New Mexico School District Enhancement Program. See "New Mexico School District Enhancement Program" herein. Moody's also assigned an underlying rating on the Bonds of '___'. An explanation of the significance of the rating given by Moody's Investors Service may be obtained from Moody's Investors Service, 99 Church Street, New York, New York 10007. There is no assurance that the rating will not be revised downward or withdrawn entirely by the rating agency, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS

The mathematical accuracy of (i) the computations of the adequacy of the principal amounts and the interest thereon of the Federal Securities and other funds to be deposited in the Escrow Fund, to provide for the payment, of the principal of, premium and interest on the Refunded Bonds when due or upon early redemption thereof, and (ii) the computations made supporting the conclusion that the yield on the Federal Securities held pursuant to the Escrow Agreement is less than the yield on the Bonds for federal income tax purposes, will be verified by Causey, Demgen & Moore P.C., certified public accountants. Such verification will be based, in part, upon information supplied to the certified public accountant and consultant by the Financial Advisor.

DISCLOSURE CERTIFICATE

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

ADDITIONAL MATTERS

All summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or

available for inspection during normal business hours at the offices of the District located at the School Administration Office, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Boulevard NE, Suite 110, Albuquerque, New Mexico 87110.

A LAST WORD

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

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

/s/

President, Board of Education

/s/

Secretary, Board of Education

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APPENDIX A

ECONOMIC & DEMOGRAPHIC INFORMATION

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THE ECONOMY

Generally

The District is located in the heart of the Middle Rio Grande Valley, approximately thirty-two miles south of the city of Albuquerque. The District encompasses an area that comprises the southern section of Valencia County, as well as a small portion of northeastern Socorro County. The District is a composite of ten small communities and the city of Belen.

Electricity and natural gas are supplied by the Public Service Company of New Mexico to most of the District, but some of the rural areas are supplied by the Socorro Electrical Cooperative. Telephone service is provided by Qwest. The city of Belen and the Rio Grande Utility Corporation provide water and sewer services in the greater Belen area.

Interstate 25 passes through the District, making it an easy drive to the city of Albuquerque. New Mexico highways 47 and 85 also link the District to other cities along the Rio Grande river. The Burlington Northern and Santa Fe (BNSF) railroad serves the area and has a major facility located in the city of Belen. Major airline connections are available at the Albuquerque International Airport. The University of New Mexico has a branch campus located between the Belen and Los Lunas school districts.

The economy of the District is a blend of industry, agriculture, and government. The city of Belen serves as the commercial and governmental center for the area within the District, providing most of the goods and services required, including schools, insurance, auto dealerships, farm and ranch equipment, groceries, hardware, and medical and recreational facilities. Agriculture is centered on livestock production, but there is some farming for human consumption. Also, a small feed lot is located just south of Belen where locally raised livestock are prepared for market.

A number of District residents commute daily to the city of Albuquerque for employment. In this sense Belen has characteristics of a "bedroom community" of Albuquerque. On the other hand, Belen is far enough away to develop industry and commerce independent of Albuquerque. The independent industry component is a form of economic diversification which strengthens the Belen economy.

The Belen Consolidated School District's assessed valuation is divided between Valencia County (91%) and Socorro County (9%). The portion of the District in Socorro County is rural and agricultural and contains no major commercial centers.

Population

Based on information gained from the Bureau of Business & Economic Research, the following table shows the historical and projected population data for the City of Belen, Valencia and Socorro Counties and the State.

US Census Year	City of Belen	Valencia County	State of New Mexico
1970	4,823	20,451	1,017,055
1980	5,617	30,769	1,308,302
1990	6,547	45,575	1,519,890
2000	6,901	66,152	1,819,046
2010	7,269	76,740	2,059,179
2012	7,255	76,631	2,085,538
2030 ⁽¹⁾	N/A	98,589	2,613,332
2040 ⁽²⁾	N/A	106,830	2,827,692

(1), (2) Estimates

Source: U.S. Census Bureau & UNM Bureau of Business & Economic Research

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

Percent of Population - August 2015			
Age	Valencia County	New Mexico	United States
0 - 17	25.0%	24.8%	23.4%
18 - 24	9.5%	9.8%	10.0%
25 - 34	11.9%	13.2%	13.2%
35 - 44	11.7%	11.8%	12.7%
45 - 54	13.6%	12.9%	13.8%
55 and Older	28.4%	27.5%	26.9%

Source: The Nielsen Company, August 2015.

Agricultural Cash Receipts in Valencia County

Valencia County Crops and Livestock Cash Receipts

<u>Year</u>	<u>Crops</u>	<u>Livestock</u>	<u>Total Agriculture</u>
2013	\$7,327	\$85,166	\$92,493
2012	10,395	66,417	76,812
2011	11,946	74,372	86,318
2010	9,875	53,933	63,808
2009	10,173	39,109	49,282
2008	9,634	46,324	55,958

Source: 2014 New Mexico Agricultural Statistics

Employment

The following table provides a ten-year history of labor force and unemployment rates for the County, the State and the United States.

<u>Year</u>	<u>Valencia County</u>		<u>State of New Mexico</u>		<u>United States</u>
	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Percent Unemployed</u>
2015*	29,881	8.20%	934,061	7.20%	5.50%
2014	29,284	7.70%	918,206	6.50%	6.20%
2013	29,887	7.80%	922,960	6.90%	7.40%
2012	29,992	8.30%	928,050	7.10%	8.10%
2011	30,482	9.00%	929,862	7.60%	8.90%
2010	31,037	9.50%	936,088	8.10%	9.60%
2009	30,898	8.00%	954,072	5.70%	8.10%
2008	31,397	5.10%	942,173	3.80%	4.80%
2007	30,809	3.60%	938,383	3.80%	4.50%
2006	30,871	4.20%	935,350	4.20%	4.50%

* June 2015.

Source: New Mexico Workforce Solutions

Major Employers

Following is a list of major employers in Valencia County

Major Employers - Valencia County

Los Lunas Schools
Belen Consolidated Schools
BNSF Railroad
Walmart
Los Lunas Correctional Center
Los Lunas Center for Developmental Disabilities
Valencia County
Clariant Healthcare packaging
Belen Care & Rehabilitation Center
City of Belen

Source: Independent sources.

Total Reported Gross Receipts

Calendar Year	City of Belen		Valencia County	
	Retail	Total	Retail	Total
2014	\$93,490,748	\$202,689,566	\$543,347,069	\$1,221,633,967
2013	125,424,579	270,792,579	550,753,072	1,209,998,064
2012	125,228,507	259,162,853	535,320,753	1,125,371,184
2011	125,872,017	260,514,599	532,238,074	1,661,311,903
2010	123,540,244	263,977,915	511,533,349	1,114,966,702
2009	129,920,666	281,827,523	509,813,330	1,121,805,391
2008	138,775,043	309,597,797	512,234,653	1,265,342,520
2007	143,727,710	294,169,541	538,980,757	1,336,016,134

Source: New Mexico Department of Taxation & Revenue.

Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income ("EBI") and a four-year comparison of the estimated median household income as reported by The Nielsen Company. EBI is personal income less personal tax and non tax payments. Personal income includes wages and salaries, other labor income, proprietors' income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. During the period shown in the following chart, the median household EBI level for the County compares favorably with the State but has consistently been lower than the national level.

Effective Buying Income Group	Valencia County	New Mexico	United States
Under \$25,000	32.6%	28.4%	23.5%
\$25,000 - \$34,999	12.7%	11.6%	10.2%
\$35,000 - \$49,999	14.2%	14.1%	13.6%
\$50,000 - \$74,999	17.8%	17.1%	17.8%
\$75,000 and over	22.7%	28.8%	34.9%

2011 Est. Median Household Income	\$40,287	\$42,030	\$49,726
2012 Est. Median Household Income	\$40,205	\$41,958	\$49,581
2013 Est. Median Household Income	\$41,314	\$43,273	\$49,297
2014 Est. Median Household Income	\$43,577	\$44,292	\$51,579
2015 Est. Median Household Income	\$39,889	\$45,633	\$53,706

Source: The Nielsen Company, August 2015.

Covered Wage and Salary Employment

New Mexico Workforce Solutions publishes quarterly reports of covered employment and wages classified according to the [North American Industry Classification System \(NAICS\)](#).

Valencia County	2010	2011	2012	2013	2014
Agriculture	180	169	133	153	151
Mining	28	30	*	23	*
Utilities	51	51	58	55	55
Construction	726	650	677	739	766
Manufacturing	551	665	538	510	527
Wholesale trade	198	191	198	206	208
Retail trade	2,145	2,124	2,099	2,092	2,139
Transportation & warehousing	980	981	770	836	814
Information services	80	74	73	79	74
Finance & insurance	300	286	283	285	308
Real estate	138	124	140	149	140
Professional & technical services	260	257	260	255	259
Management of companies	67	84	86	128	100
Administrative & waste services	225	220	223	218	221
Educational services	31	*	*	*	*
Healthcare & social services	2,865	2,965	2,007	2,080	1,602
Arts, entertainment & recreation	70	59	66 *		80
Accommodations and food services	1,182	1,199	1,270	1,291	1,343
Other services	243	247	236	226	241
Unclassified	*	*	1	0	0
Government	<u>4,252</u>	<u>4,032</u>	<u>3,986</u>	<u>3,962</u>	<u>3,984</u>
T total	14,580	14,438	13,170	13,391	13,084

* Non-disclosure of data due confidentiality

Note: Columns may not sum to the total because of non-disclosure data.

Source: New Mexico Dept. of Workforce Solutions

APPENDIX B

EXCERPTS OF FY 2014 AUDITED FINANCIAL STATEMENTS

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STATE OF NEW MEXICO

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2

ANNUAL FINANCIAL REPORT

JUNE 30, 2014



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
FOR THE YEAR ENDED JUNE 30, 2014
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STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
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STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
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STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2014

<u>Name</u>		<u>Title</u>
	<u>School Board</u>	
Larry Lindberg		President
Lorraine Espinosa		Vice-President
Dolores "Lola" Quintana		Secretary
Larry B. Garley		Member
Tom Wisneski		Member
	<u>District Officials</u>	
Ron Marquez		Superintendent
George Perea		Director of Finance & Business

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, New Mexico State Auditor
The Office of Management and Budget
And the Board of Education of
Belen Consolidated School District No. 2
Belen, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Belen Consolidated School District No. 2, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's nonmajor governmental funds and the budgetary comparisons for the major capital project fund, the major debt service fund, and all nonmajor funds presented as supplementary information as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and fiduciary fund of the District as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons for the major capital project fund, debt service fund, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparison. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audit of States, Local Governments, and Non-Profit Organization*, the introductory section, and the Other Supplemental Information, Schedules I through V required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
November 14, 2014

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
 STATEMENT OF NET POSITION
 JUNE 30, 2014

Exhibit A-1

	Governmental Activities
	<u> </u>
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 22,768,599
Receivables (net of allowance for uncollectibles)	3,259,356
Inventory	203,567
<i>Total current assets</i>	<u>26,231,522</u>
<i>Noncurrent assets</i>	
Bond discounts, net of amortization of \$40,464	13,489
Capital assets (net of accumulated depreciation):	
Land and land improvements	2,375,944
Buildings and building improvements	94,055,018
Furniture, fixtures and equipment	2,115,912
Vehicles	4,694,407
Construction in progress	4,254,699
Less: accumulated depreciation	(46,799,169)
<i>Total noncurrent assets</i>	<u>60,710,300</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on advance refunding of debt	-
<i>Total assets and deferred outflows of resources</i>	<u>\$ 86,941,822</u>
LIABILITIES	
<i>Current liabilities</i>	
Accounts payable	\$ 1,840,551
Accrued payroll liabilities	1,482,678
Accrued interest payable	450,393
Unearned revenues	24,110
Current maturities of:	
Bonds payable	4,295,000
Compensated absences	393,958
<i>Total current liabilities</i>	<u>8,486,690</u>
<i>Noncurrent liabilities:</i>	
Bond premiums, net of amortization of \$257,223	176,342
Bonds payable	26,970,000
Compensated absences	18,172
<i>Total noncurrent liabilities</i>	<u>27,164,514</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	-
NET POSITION	
Net investment in capital assets	29,268,958
Restricted for:	
Debt service	9,974,912
Capital projects	9,649,997
Other purposes - special revenue	1,600,235
Unrestricted	796,516
<i>Total net position</i>	<u>51,290,618</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 86,941,822</u>

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

STATE OF NEW MEXICO
 BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government					
Governmental activities:					
Instruction	\$ 22,354,925	\$ 241,059	\$ 4,303,305	\$ -	\$ (17,810,561)
Support services:					
Students	4,128,050	-	536,431	-	(3,591,619)
Instruction	938,936	-	34,158	-	(904,778)
General administration	1,368,460	-	-	-	(1,368,460)
School administration	1,937,972	-	-	-	(1,937,972)
Other	87,651	-	-	-	(87,651)
Central services	1,128,460	234,971	-	-	(893,489)
Operation & maintenance of plant	5,395,047	1,786	-	93,237	(5,300,024)
Student transportation	1,861,631	-	1,485,017	-	(376,614)
Food services operation	2,652,820	199,573	2,486,802	-	33,555
Community services	79,531	-	-	-	(79,531)
Interest on long-term debt	865,499	-	-	-	(865,499)
Facilities materials, supplies, & other services	1,919,208	-	-	88,345	(1,830,863)
Depreciation - unallocated	-	-	-	-	-
Total Primary Government	<u>\$ 44,718,190</u>	<u>\$ 677,389</u>	<u>\$ 8,845,713</u>	<u>\$ 181,582</u>	<u>(35,013,506)</u>

General Revenues:

Property taxes:	
Levied for general purposes	227,458
Levied for debt service	5,274,438
Levied for capital projects	1,374,633
State Equalization Guarantee	29,215,541
Unrestricted investment earnings	15,396
Gain on disposal of fixed assets	477
Miscellaneous	422,116
Total general revenues	<u>36,530,059</u>
Change in net position	<u>1,516,553</u>
Net position - beginning of year	<u>50,885,788</u>
Restatement	<u>(1,111,723)</u>
Net position - beginning of year, restated	<u>49,774,065</u>
Net position - ending of year	<u>\$ 51,290,618</u>

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

STATE OF NEW MEXICO
 BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2014

Exhibit B-1

	General Fund			Title I IASA 24101
	Operational 11000	Transportation 13000	Instructional Materials 14000	
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 1,961,261	\$ -	\$ 49,616	\$ -
Taxes	84,822	-	-	-
Due from other governments	-	-	-	481,917
Interfund receivables	1,195,521	-	-	-
Inventory	111,230	-	-	-
<i>Total assets</i>	<u>3,352,834</u>	<u>-</u>	<u>49,616</u>	<u>481,917</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	374,624	-	20,381	6,694
Accrued payroll liabilities	1,221,994	65,567	-	57,576
Interfund payables	-	60,845	-	458,728
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>1,596,618</u>	<u>126,412</u>	<u>20,381</u>	<u>522,998</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	77,642	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>77,642</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	111,230	-	-	-
Restricted for:				
Transportation	-	-	-	-
Instructional materials	-	-	29,235	-
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	1,567,344	(126,412)	-	(41,081)
<i>Total fund balances</i>	<u>1,678,574</u>	<u>(126,412)</u>	<u>29,235</u>	<u>(41,081)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 3,352,834</u>	<u>\$ -</u>	<u>\$ 49,616</u>	<u>\$ 481,917</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

Exhibit B-1

	Bond Building 31100	Debt Service 41000	Other Governmental Funds	Total Primary Government
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 10,260,971	\$ 8,335,990	\$ 2,160,761	\$ 22,768,599
Taxes	-	1,638,922	425,161	2,148,905
Due from other governments	-	-	628,534	1,110,451
Interfund receivables	-	-	-	1,195,521
Inventory	-	-	92,337	203,567
<i>Total assets</i>	<u>10,260,971</u>	<u>9,974,912</u>	<u>3,306,793</u>	<u>27,427,043</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	1,292,224	-	146,628	1,840,551
Accrued payroll liabilities	-	-	137,541	1,482,678
Interfund payables	-	-	675,948	1,195,521
Unearned revenue	-	-	24,110	24,110
<i>Total liabilities</i>	<u>1,292,224</u>	<u>-</u>	<u>984,227</u>	<u>4,542,860</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	1,469,039	380,967	1,927,648
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>1,469,039</u>	<u>380,967</u>	<u>1,927,648</u>
FUND BALANCES				
Nonspendable	-	-	92,337	203,567
Restricted for:				
Transportation	-	-		-
Instructional materials	-	-		29,235
Grant mandates	-	-	1,548,979	1,548,979
Capital projects	8,968,747	-	300,283	9,269,030
Debt service	-	8,505,873	-	8,505,873
Assigned	-	-	-	-
Unassigned	-	-	-	1,399,851
<i>Total fund balances</i>	<u>8,968,747</u>	<u>8,505,873</u>	<u>1,941,599</u>	<u>20,956,535</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 10,260,971</u>	<u>\$ 9,974,912</u>	<u>\$ 3,306,793</u>	<u>\$ 27,427,043</u>

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

STATE OF NEW MEXICO

Exhibit B-2

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Fund balances - total governmental funds	\$ 20,956,535
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	60,696,811
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities	1,927,648
Bond issuance costs, including original issue discounts and premiums are not financial resources and therefore are not reported in the funds	
Bond discounts net of related accumulated amortization	13,489
Bond premiums net of accumulated amortization	(176,342)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(412,130)
Accrued interest payable	(450,393)
General obligation bonds	(31,265,000)
Net position - total governmental activities	<u>\$ 51,290,618</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B-3

	General Fund				
	Operational 11000	Transportation 13000	Instructional Materials 14000	Title I IASA 24101	Bond Building 31100
<i>Revenues:</i>					
Property taxes	\$ 179,725	\$ -	\$ -	\$ -	\$ -
State grants	29,215,541	1,434,135	246,873	-	-
Federal grants	3,385	-	-	1,517,019	-
Miscellaneous	419,208	-	-	-	-
Charges for services	274,075	-	-	-	-
Investment Income	465	-	-	-	3,901
<i>Total revenues</i>	<u>30,092,399</u>	<u>1,434,135</u>	<u>246,873</u>	<u>1,517,019</u>	<u>3,901</u>
<i>Expenditures:</i>					
Current:					
Instruction	17,814,282	-	395,473	622,386	-
Support services					
Students	3,161,926	-	-	506,636	-
Instruction	721,943	-	-	69,972	-
General administration	919,227	-	-	264,612	-
School administration	1,927,907	-	-	-	-
Central services	1,098,873	-	-	-	-
Operation & maintenance of plant	5,381,817	-	-	-	-
Student transportation	166,992	1,432,709	-	-	-
Other support services	87,651	-	-	-	-
Food services operations	-	-	-	-	-
Community service	79,531	-	-	-	-
Capital outlay	-	-	-	-	4,342,541
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
<i>Total expenditures</i>	<u>31,360,149</u>	<u>1,432,709</u>	<u>395,473</u>	<u>1,463,606</u>	<u>4,342,541</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,267,750)</u>	<u>1,426</u>	<u>(148,600)</u>	<u>53,413</u>	<u>(4,338,640)</u>
<i>Other financing sources (uses):</i>					
Operating transfers	(58,140)	-	-	-	-
Proceeds from bond issues	-	-	-	-	13,250,000
Bond underwriter premium	-	-	-	-	60,988
<i>Total other financing sources (uses)</i>	<u>(58,140)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,310,988</u>
<i>Net changes in fund balances</i>	<u>(1,325,890)</u>	<u>1,426</u>	<u>(148,600)</u>	<u>53,413</u>	<u>8,972,348</u>
<i>Fund balances - beginning of year</i>	3,014,012	(127,838)	177,835	(94,494)	(3,601)
<i>Prior period adjustment</i>	(9,548)	-	-	-	-
<i>Adjusted fund balance - beginning of year</i>	<u>3,004,464</u>	<u>(127,838)</u>	<u>177,835</u>	<u>(94,494)</u>	<u>(3,601)</u>
<i>Fund balances - end of year</i>	<u>\$ 1,678,574</u>	<u>\$ (126,412)</u>	<u>\$ 29,235</u>	<u>\$ (41,081)</u>	<u>\$ 8,968,747</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Debt Service 41000	Other Governmental Funds	Total Primary Government
<i>Revenues:</i>			
Property taxes	\$ 4,204,489	\$ 1,094,649	\$ 5,478,863
State grants	-	1,624,732	32,521,281
Federal grants	-	4,204,536	5,724,940
Miscellaneous	-	-	419,208
Charges for services	-	403,314	677,389
Investment Income	10,568	462	15,396
<i>Total revenues</i>	<u>4,215,057</u>	<u>7,327,693</u>	<u>44,837,077</u>
<i>Expenditures:</i>			
<i>Current:</i>			
Instruction	-	1,749,886	20,582,027
Support services			
Students	-	459,488	4,128,050
Instruction	-	180,445	972,360
General administration	25,494	159,127	1,368,460
School administration	-	10,065	1,937,972
Central services	-	29,587	1,128,460
Operation & maintenance of plant	-	16,817	5,398,634
Student transportation	-	466,495	2,066,196
Other support services	-	-	87,651
Food services operations	-	2,691,329	2,691,329
Community service	-	-	79,531
Capital outlay	-	1,435,236	5,777,777
Debt service			
Principal	1,830,000	-	1,830,000
Interest	865,499	-	865,499
Bond issuance costs	25,711	-	25,711
<i>Total expenditures</i>	<u>2,746,704</u>	<u>7,198,475</u>	<u>48,939,657</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>1,468,353</u>	<u>129,218</u>	<u>(4,102,580)</u>
<i>Other financing sources (uses):</i>			
Operating transfers	-	58,140	-
Proceeds from bond issues	-	-	13,250,000
Bond underwriter premium	-	-	60,988
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>58,140</u>	<u>13,310,988</u>
<i>Net changes in fund balances</i>	<u>1,468,353</u>	<u>187,358</u>	<u>9,208,408</u>
<i>Fund balances - beginning of year</i>	7,037,520	1,748,020	11,751,454
<i>Prior period adjustment</i>	-	6,221	(3,327)
<i>Adjusted fund balance - beginning of year</i>	<u>7,037,520</u>	<u>1,754,241</u>	<u>11,748,127</u>
<i>Fund balances - end of year</i>	<u>\$ 8,505,873</u>	<u>\$ 1,941,599</u>	<u>\$ 20,956,535</u>

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

STATE OF NEW MEXICO

Exhibit B-4

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ 9,208,408
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.	
Depreciation expense	(2,296,010)
Capital Outlays	4,728,596
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in deferred revenue related to the property taxes receivable	1,397,666
The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Amortization of bond discounts	(4,373)
Amortization of bond premium	6,146
Decrease in accrued compensated absences	94,868
Increase in accrued interest payable	(137,750)
Principal payments on bonds	1,830,000
Proceeds from bond sale	(13,250,000)
Premium on bond sale	<u>(60,998)</u>
Change in net position - total governmental activities	<u>\$ 1,516,553</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
OPERATIONAL FUND (11000)
FOR THE YEAR ENDING JUNE 30, 2014

Exhibit C-1

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ 183,522	\$ 183,522	\$ 220,390	\$ 36,868
State grants	29,223,151	29,226,338	29,215,541	(10,797)
Federal grants	-	3,384	3,385	1
Miscellaneous	112,482	112,482	419,665	307,183
Charges for services	204,168	204,168	275,353	71,185
Interest	500	500	465	(35)
<i>Total revenues</i>	<u>29,723,823</u>	<u>29,730,394</u>	<u>30,134,799</u>	<u>404,405</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	18,024,459	18,237,039	17,080,732	1,156,307
Support services				
Students	3,376,044	3,376,044	3,162,836	213,208
Instruction	714,221	717,606	717,606	-
General administration	923,343	923,343	923,238	105
School administration	1,923,915	1,923,915	1,923,901	14
Central services	1,106,745	1,106,745	1,106,116	629
Operation & maintenance of plant	5,207,991	5,182,365	5,181,828	537
Student transportation	167,653	167,653	166,992	661
Other support services	87,123	87,123	86,323	800
Food services operations	-	-	-	-
Community services	-	80,000	79,531	469
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>31,531,494</u>	<u>31,801,833</u>	<u>30,429,103</u>	<u>1,372,730</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,807,671)</u>	<u>(2,071,439)</u>	<u>(294,304)</u>	<u>1,777,135</u>
<i>Other financing sources (uses):</i>				
Designated cash	1,807,671	2,071,439	-	(2,071,439)
Operating transfers	-	-	(58,140)	(58,140)
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,807,671</u>	<u>2,071,439</u>	<u>(58,140)</u>	<u>(2,129,579)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(352,444)</u>	<u>(352,444)</u>
<i>Cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,518,774</u>	<u>3,518,774</u>
Prior period adjustments	<u>-</u>	<u>-</u>	<u>(9,548)</u>	<u>(9,548)</u>
<i>Adjusted cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,509,226</u>	<u>3,509,226</u>
<i>Cash or fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,156,782</u>	<u>\$ 3,156,782</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ (352,444)	
Adjustments to revenues			(42,400)	
Adjustments to expenditures			(931,046)	
Net change in fund balance (GAAP basis)			<u>\$ (1,325,890)</u>	

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

STATE OF NEW MEXICO
 BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 STUDENT TRANSPORTATION FUND (13000)
 FOR THE YEAR ENDING JUNE 30, 2014

Exhibit C-2

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	1,434,671	1,434,135	1,434,135	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>1,434,671</u>	<u>1,434,135</u>	<u>1,434,135</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	1,434,671	1,434,135	1,413,039	21,096
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,434,671</u>	<u>1,434,135</u>	<u>1,413,039</u>	<u>21,096</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>21,096</u>	<u>21,096</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>21,096</u>	<u>21,096</u>
<i>Cash or fund balances - beginning of year</i>	-	-	(81,941)	(81,941)
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(81,941)</u>	<u>(81,941)</u>
<i>Cash or fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,845)</u>	<u>\$ (60,845)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ 21,096	
Adjustments to revenues			-	
Adjustments to expenditures			(19,670)	
Net change in fund balance (GAAP basis)			<u>\$ 1,426</u>	

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
INSTRUCTIONAL MATERIALS FUND (14000)
FOR THE YEAR ENDING JUNE 30, 2014

Exhibit C-3

	<u>Budgeted Amounts</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	229,200	229,200	278,816	49,616
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>229,200</u>	<u>229,200</u>	<u>278,816</u>	<u>49,616</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	229,200	397,588	397,588	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>229,200</u>	<u>397,588</u>	<u>397,588</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(168,388)</u>	<u>(118,772)</u>	<u>49,616</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	168,388	-	(168,388)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>168,388</u>	<u>-</u>	<u>(168,388)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(118,772)</u>	<u>(118,772)</u>
<i>Cash or fund balances - beginning of year</i>	-	-	168,388	168,388
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>168,388</u>	<u>168,388</u>
<i>Cash or fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,616</u>	<u>\$ 49,616</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ (118,772)	
Adjustments to revenues			(31,943)	
Adjustments to expenditures			2,115	
Net change in fund balance (GAAP basis)			<u>\$ (148,600)</u>	

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

STATE OF NEW MEXICO
 BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 TITLE I IASA SPECIAL REVENUE FUND (24101)
 FOR THE YEAR ENDING JUNE 30, 2014

Exhibit C-4

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	1,539,938	1,751,521	1,887,946	136,425
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>1,539,938</u>	<u>1,751,521</u>	<u>1,887,946</u>	<u>136,425</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	777,104	876,687	634,662	242,025
Support services				
Students	507,829	507,829	506,636	1,193
Instruction	-	70,000	69,972	28
General administration	255,005	297,005	264,612	32,393
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,539,938</u>	<u>1,751,521</u>	<u>1,475,882</u>	<u>275,639</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>412,064</u>	<u>412,064</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	412,064	412,064
<i>Cash or fund balances - beginning of year</i>	-	-	(870,792)	(870,792)
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(870,792)</u>	<u>(870,792)</u>
<i>Cash or fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (458,728)</u>	<u>\$ (458,728)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ 412,064	
Adjustments to revenues			(370,927)	
Adjustments to expenditures			12,276	
Net change in fund balance (GAAP basis)			<u>\$ 53,413</u>	

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2014

Exhibit D-1

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	\$ 369,897
<i>Total assets</i>	<u>369,897</u>
 LIABILITIES	
<i>Current Liabilities</i>	
Current payables	12,399
Deposits held in trust for others	<u>357,498</u>
<i>Total liabilities</i>	<u>\$ 369,897</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies

The Belen Consolidated School Board was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

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

During the year ended June 30, 2014, the District adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No 53*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. Blended component unites, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basis, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District does not have a component unit and is not a component unit of another government agency.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

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

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

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

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

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

Additionally, the government reports the following fund types:

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

D. *Assets, Liabilities and Net Position or Equity*

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

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

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

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

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

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

Receivables and Payables: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Socorro County and Valencia County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the Socorro and Valencia County Treasurer's in July and August 2014 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2014.

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment, including software, is being capitalized and included in furniture and equipment in accordance with NMAC 2.20.1.9 C (5). Capital expenditures made by the NM Public Schools Facilities Authority are appropriately included in the District's capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District expenses the cost of library books when purchased because their estimated useful life is less than one year.

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

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

Land Improvements	5-50 years
Buildings/building improvements	5-100 years
Furniture and equipment	5-20 years

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

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

Compensated Absences: Twelve (12) month employees at the professional level or a classified administrator will be on duty from July 1 through June 30 and will be entitled to sixteen and one quarter (16.25) working days of annual leave which may accumulate to a total of forty (40) days including the current year. An employee who terminates will be paid for all earned leave; however, payment for earned leave may not exceed twenty (20) days. Annual leave will accumulate at a rate of 0.6250 days per pay period.

Classified employees who work full time are entitled to period of annual leave ranging from thirteen (13) to fifteen (15) working days per year depending upon the length of service with the Belen Consolidated Schools. Annual leave may accumulate to a total of forty (40) days of earned vacation. Twelve (12) days paid leave will be allowed for completing each full year of employment up to ten (10) years. Annual leave will accumulate at a rate of 0.50 days per pay period. Sixteen and one quarter (16.25) days of paid vacation will be allowed annually after completing ten (10) full years of employment. Annual leave will accumulate at a rate of 0.6250 days

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

per pay period. If a classified employee terminates, the employee will be paid for all earned annual leave time; however, payments for earned leave may not exceed twenty (20) days' salary. No classified employee will be paid for annual leave upon termination before completing six (6) months of employment.

The Board of Education has determined that there are instances in which employees suffer from catastrophic or unusual illnesses or injuries, or disabilities from performing the usual duties of the employee's job, which may not be sufficiently covered by existing board policies relating to sick leave and leaves of absence. As a result, and so that employees not suffer undue economic hardship as the result of such catastrophic or unusual illness, injury or disability, the Board of Education hereby authorizes the creation of a Sick Leave Bank (SLB). This SLB will be used to establish an available pool of sick leave days upon which eligible employees may draw, and into which participating employees may contribute accrued and unused sick leave to be made available to participating employees in the event of catastrophic or unusual illness, injury, or disability. The Sick Leave Bank shall be available only to employees participating in the Sick Leave Bank program. Employees participating in the SLB are entitled to use the days within the SLB when a catastrophic or unusual illness or injury occurs that requires extended hospitalization or home confinement of the employee or members of his or her immediate family, or results in the employee's disability from performing the usual duties of his or her job. Prior to use of the Sick Leave Bank, an eligible and participating employee must use all accrued sick, personal, or vacation leave. The Board of Education hereby delegates to the Administration the authority to adopt reasonable regulations, guidelines, procedures, and forms for implementing the Sick Leave Bank consistent with the provision adopted in this policy, and to define the relevant conditions for eligibility and grant of benefits under the Sick Leave Bank program. Decisions of the Administration with regard to applications for use of Sick Leave Bank shall not be subject to review.

Vested or 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the district-wide statement of net position.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after the fiscal year ended June 30, 2014, bond premiums and discounts, will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs will be reported as deferred charges and amortized over the term of the related debt.

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

Net Position or Fund Equity: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of the District's fund balances is presented in Note 15.

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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

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

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

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

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

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

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

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

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

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

E. Revenues

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

E. Revenues - (continued)

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

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

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$29,215,541 in state equalization guarantee distributions during the year ended June 30, 2014.

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

In the financial statements, the mill levy and ad-valorem taxes are broken out into two types: property taxes – residential and commercial and property taxes – oil and gas. Amounts collected from residential and commercial property taxes at June 30, 2014 were \$6,876,529. Amounts collected from oil and gas taxes were \$0.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$1,434,135 in transportation distributions during the year ended June 30, 2014.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2014 totaled \$246,873.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

E. Revenues - (continued)

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

The District received \$93,237 in state SB-9 matching during the year ended June 30, 2014.

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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

During the year ended June 30, 2014, the District received \$88,345 in special capital outlay funds.

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

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food services operations, and the distributions of commodities through the New Mexico Human Services Department.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted. Public School Capital Outlay Council expenditures in the Public School Capital Outlay fund are not budgeted at the District level, so there is no budgetary comparison presented.

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Budgetary Information – (Continued)

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (100%) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Budgetary Information – (Continued)

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2014, is presented on each funds' Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual.

NOTE 3. Cash and Cash Equivalents

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

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateralized as required by the statute.

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

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

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Deposits

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution in excess of federal deposit insurance. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3. Cash and Cash Equivalents - (Continued)

	US Bank <u>Bank</u>	Wells Fargo <u>Bank</u>	<u>Total</u>
Total amounts of deposits	\$ 20,486,475	\$ 3,206,650	\$ 23,693,125
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>500,000</u>
Total uninsured public funds	<u>20,236,475</u>	<u>2,956,650</u>	<u>23,193,125</u>
Collateral requirement (50% of uninsured public funds)	10,118,237	1,478,325	11,596,562
Pledged security	<u>25,316,971</u>	<u>1,608,105</u>	<u>26,925,076</u>
Total over (under) collateralized	<u>\$ 15,198,734</u>	<u>\$ 129,780</u>	<u>\$ 3,731,951</u>

The funds are maintained in a combination of interest bearing and non-interest bearing checking accounts.

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

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

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

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

At June 30, 2014, \$23,193,125 of the District's bank balance of \$23,693,125 was exposed to custodial credit risk as it was uninsured and not in the District's name as the collateral for Wells Fargo Bank is held at Bank of New York Mellon, and US.Bank holds its own collateral.

Reconciliation of Cash to the Financial Statements

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

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3. Cash and Cash Equivalents - (Continued)

Reconciliation to Statement of Net Position

Governmental Funds - Balance Sheet

Cash and cash equivalents per Exhibit A-1	22,768,599
Statement of Fiduciary Net Position - cash per Exhibit D-1	<u>369,897</u>
Total per financial statements	23,138,496
Less petty cash	(275)
Add unreconciled difference in cash	7,297
Add outstanding checks and other reconciling items	<u>547,607</u>
Bank balance of deposits	<u><u>\$ 23,693,125</u></u>

The District utilized pooled accounts for their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts should be reclassified as due to/due from accounts in the combining balance sheets at June 30, 2014. Funds 24000 through 25000 are federal funds and 13000 and 27000 through 28000 funds are non-federal funds. The following individual funds had negative cash balances as of June 30, 2014:

Fund #	Major Funds	
13000	Transportation	\$ 60,845
24101	Title II ASA	<u>458,728</u>
	Major Funds Subtotal	<u><u>519,573</u></u>
	Special Revenue Funds	
22000	Athletics	44,058
24106	IDEA B Entitlement	246,735
24107	IDEA B Discretionary	5,040
24109	IDEA B Preschool	3,730
24113	Education of the Homeless	2,116
24118	Fresh Fruits and Vegetables	11,544
24153	English Language Acquisition	31,615
24154	Teacher/Principal Training & Recruiting	110,501
24162	Title I School Improvement	64,244
24174	Carl Perkins Secondary	13,273
24175	Carl Perkins Secondary - PY Unliq. Oblig	472
24176	Carl Perkins Secondary - Redistribution	7,465
27103	Dual Credit Instructional Materials	4,403
27106	2010 GO Bond Student Library Fund	8,309
27107	2012 GO Bond Student Library Fund	30,226
27114	NM Reads to Lead K-3 Reading Initiative	7,013
27139	Truancy Prevention/Intervention	612
27149	PreK Initiative	18,437
27166	Kindergarten - Three Plus	24,176
27183	NM Grown Fresh Fruits & Vegetables	581
27185	Next Generation Assessments	35,034
28189	GRADS - Child Care	<u>6,364</u>
	Special Revenue Funds Subtotal	<u><u>675,948</u></u>
	Total	<u><u>\$ 1,195,521</u></u>

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4. Receivables

Receivables as of June 30, 2014 are as follows:

	Major Funds			Other Governmental Funds	Total Governmental Funds
	Operational 11000	Title I IASA 24101	Debt Service 41000		
Property taxes	\$ 84,822	\$ -	\$ 1,638,922	\$ 425,161	\$ 2,148,905
Due from other governments	-	481,917	-	628,534	1,110,451
Total receivables	<u>\$ 84,822</u>	<u>\$ 481,917</u>	<u>\$ 1,638,922</u>	<u>\$ 1,053,695</u>	<u>\$ 3,259,356</u>

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax revenues in the amount of \$1,927,648 were not collected within the period of availability and have been reclassified as deferred revenue in the governmental fund financial statements.

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5. Interfund Receivables, Payables, and Transfers

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. The composition of interfund balances at June 30, 2014 is as follows:

Governmental Activities	Interfund Receivables	Interfund Payables
Major Funds:		
Operational (11000)	\$ 1,195,521	\$ -
Transportation (13000)	-	60,845
Title IIASA (24101)	-	458,728
Non-major Funds:		
Athletics (22000)	-	44,058
IDEA B Entitlement (24106)	-	246,735
IDEA B Discretionary (24107)	-	5,040
IDEA B Preschool (24109)	-	3,730
Education of the Homeless (24113)	-	2,116
Fresh Fruits and Vegetables (24118)	-	11,544
English Language Acquisition (24153)	-	31,615
Teacher/Principal Training & Recruiting (24154)	-	110,501
Title I School Improvement (24162)	-	64,244
Carl D Perkins - Secondary - Current (24174)	-	13,273
Carl D Perkins - Secondary - PY Unliquidated Obligations (24175)	-	472
Carl D Perkins - Secondary - Redistribution (24176)	-	7,465
Dual Credit Instructional Materials (27103)	-	4,403
2010 GO Bonds Student Library Fund (SB1) (27106)	-	8,309
2012 GO Bonds Student Library Fund (SB66) (27107)	-	30,226
NM Reads to Lead K-3 Initiative (27114)	-	7,013
Truancy Prevention/Intervention (27139)	-	612
PreK Initiative (27149)	-	18,437
Kindergarten - Three Plus (27166)	-	24,176
NM Grown Fresh Fruits and Vegetables (27183)	-	581
Next Generation Assessments (27185)	-	35,034
GRADS - Child Care (28189)	\$ -	\$ 6,364
Totals	\$ 1,195,521	\$ 1,195,521

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

During the year ended June 30, 2014, the District closed its deferred sick leave account into its operational fund which resulted in a transfer of \$37,719 to the operational fund and the forgiveness of \$96,171 in accrued liability resulting in a net transfer of \$58,452 to the deferred sick leave account. The District also closed two dormant funds, resulting in a net transfer of \$312 to the operational fund.

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6. Capital Assets

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

	<u>Balance</u>				<u>Balance</u>
Capital assets used in governmental activities:	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 2,375,944	\$ -	\$ -	\$ -	\$ 2,375,944
Construction in progress	1,213,559	4,143,359	123,092	(979,127)	4,254,699
Total capital assets not being depreciated	<u>3,589,503</u>	<u>4,143,359</u>	<u>123,092</u>	<u>(979,127)</u>	<u>6,630,643</u>
Capital assets being depreciated:					
Buildings and building improvements	93,931,926	123,092	-	-	94,055,018
Furniture, fixtures, and equipment	1,998,624	122,385	5,097	-	2,115,912
Vehicles	4,515,185	462,852	283,630	-	4,694,407
Total capital assets being depreciated	<u>100,445,735</u>	<u>708,329</u>	<u>288,727</u>	<u>-</u>	<u>100,865,337</u>
Less accumulated depreciation:					
Buildings and building improvements	39,598,823	1,893,993	-	-	41,492,816
Furniture, fixtures, and equipment	1,290,071	115,109	5,097	-	1,400,083
Vehicles	3,902,992	286,908	283,630	-	3,906,270
Total accumulated depreciation	<u>44,791,886</u>	<u>2,296,010</u>	<u>288,727</u>	<u>-</u>	<u>46,799,169</u>
Total capital assets, net of depreciation	<u>\$ 59,243,352</u>	<u>\$ 2,555,678</u>	<u>\$ (123,092)</u>	<u>\$ (979,127)</u>	<u>\$ 60,696,811</u>

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

Governmental activities:	
Instruction	\$ 1,990,857
Support services - students	3,292
Operation and maintenance of plant	39,248
Student transportation	258,287
Food services	4,326
Total depreciation	<u>\$ 2,296,010</u>

Construction commitments:

The current construction in progress had a remaining commitment of approximately \$5,532,466 for completion at June 30, 2014.

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7. Long-Term Debt

During the year ended June 30, 2014 the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance at 06/30/13	Additions	Deletions	Balance at 06/30/14	Due Within One Year
General Obligation Bonds	\$ 19,845,000	\$ 13,250,000	\$ 1,830,000	\$ 31,265,000	\$ 4,295,000
Compensated Absences	506,998	299,090	393,958	412,130	393,958
Total	\$ 20,351,998	\$ 13,549,090	\$ 2,223,958	\$ 31,677,130	\$ 4,688,958

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2014, compensated absences decreased \$94,868 over the prior year accrual. See Note 1 for more details.

General Obligations Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. As of June 30, 2014, all general obligation bonds are for governmental activities.

Bonds outstanding at June 30, 2014 are comprised of the following:

	2002 Series 10/15/2002	2003 Series 10/31/2003	2004 Series 11/2/2004	2005 Series 3/29/2005
Original Issue	\$2,000,000	\$4,000,000	\$1,700,000	\$9,620,000
Maturity Date	8/1/2015	8/1/2017	8/1/2018	8/1/2017
Principal	1-Aug	1-Aug	1-Aug	1-Aug
Interest Rate	3.00-4.50%	0.84-3.76%	2.30-3.80%	3.25-5.00%
Interest	1-Feb 1-Aug	1-Feb 1-Aug	1-Feb 1-Aug	1-Feb 1-Aug
	2007 Series 11/27/2007	2008 Series 12/2/2008	2009 Series 11/24/2009	2013 Series 9/17/2013
Original Issue	\$8,000,000.00	\$5,000,000	\$4,605,000	13,250,000
Maturity Date	8/1/2022	8/1/2022	8/1/2019	8/1/2027
Principal	1-Aug	1-Aug	1-Aug	1-Aug
Interest Rate	3.65-5.0%	4.00-5.00%	2.00-4.00%	2.00-4.00%
Interest	1-Feb 1-Aug	1-Feb 1-Aug	1-Feb 1-Aug	1-Feb 1-Aug

The annual requirements to amortize the General Obligation Bonds as of June 30, 2014, including interest payments are as follows:

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7. Long-Term Debt – (Continued)

Series 2002 General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 400,000	\$ 22,300	\$ 422,300
2016	400,000	7,500	407,500
Totals	<u>\$ 800,000</u>	<u>\$ 29,800</u>	<u>\$ 829,800</u>

Series 2003 General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 350,000	\$ 54,908	\$ 404,908
2016	400,000	42,124	442,124
2017	450,000	26,970	476,970
2018	500,000	9,388	509,388
Totals	<u>\$ 1,700,000</u>	<u>\$ 133,390</u>	<u>\$ 1,833,390</u>

Series 2004 General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 200,000	\$ 21,475	\$ 221,475.00
2016	200,000	14,600	214,600
2017	100,000	9,300	109,300
2018	100,000	5,650	105,650
2019	100,000	1,900	101,900
Totals	<u>\$ 700,000</u>	<u>\$ 52,925</u>	<u>\$ 752,925</u>

Series 2005 General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 400,000	\$ 58,000	\$ 458,000.00
2016	400,000	42,500	442,500
2017	400,000	25,500	425,500
2018	400,000	8,500	408,500
Totals	<u>\$ 1,600,000</u>	<u>\$ 134,500</u>	<u>\$ 1,734,500</u>

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. Long-Term Debt - (Continued)

Series 2007 General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 100,000	\$ 255,650	\$ 355,650.00
2016	350,000	244,900	594,900
2017	200,000	232,150	432,150
2018	250,000	223,150	473,150
2019	800,000	203,550	1,003,550
2020-2024	5,000,000	396,425	5,396,425
Totals	<u>\$ 6,700,000</u>	<u>\$ 1,555,825</u>	<u>\$ 8,255,825</u>

Series 2008 General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 100,000	\$ 174,950	\$ 274,950.00
2016	100,000	170,700	270,700
2017	300,000	162,200	462,200
2018	200,000	150,325	350,325
2019	700,000	130,825	830,825
2020-2024	2,750,000	250,088	3,000,088
Totals	<u>\$ 4,150,000</u>	<u>\$ 1,039,088</u>	<u>\$ 5,189,088</u>

Series 2009 General Obligation Bond			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 570,000	\$ 66,475	\$ 636,475.00
2016	395,000	53,425	448,425
2017	390,000	41,650	431,650
2018	460,000	28,900	488,900
2019	400,000	14,000	414,000
2020-2024	150,000	3,000	153,000
Totals	<u>\$ 2,365,000</u>	<u>\$ 207,450</u>	<u>\$ 2,572,450</u>

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7. Long-Term Debt - (Continued)

Fiscal Year Ending June 30,	Series 2013 General Obligation Bond		Total Debt Service
	Principal	Interest	
2015	\$ 2,175,000	\$ 370,688	\$ 2,545,687.50
2016	500,000	343,938	843,938
2017	500,000	333,938	833,938
2018	500,000	323,938	823,938
2019	500,000	313,938	813,938
2020-2024	4,050,000	1,310,687	5,360,687
2025-2029	5,025,000	400,219	5,425,219
Totals	<u>\$ 13,250,000</u>	<u>\$ 3,397,343</u>	<u>\$ 16,647,343</u>

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

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

NOTE 8. Unearned Revenue

In accordance with the terms of the various grant agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to the grantor. The following funds had unearned revenues at June 30, 2014:

Fund #	Fund and Function	Amount
Non-Major Funds		
24113	Education of the Homeless	\$ 883
24157	Safe & Drug Free Schools & Community	205
24167	Reading First	12,138
24176	Carl D Perkins Secondary - Redistribution	2,218
25149	GRADS Child Care CYFD	3,000
25162	TANF/GRADS HSD	5,666
	Total	<u>\$ 24,110</u>

NOTE 9. Risk Management

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

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9. Risk Management – (Continued)

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

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

NOTE 10. Other Required Individual Fund Disclosures

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

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

Fund #	Major Funds	Amount
13000	Transportation	\$ 126,412
24101	Title IIASA	41,081
	Subtotal	167,493
	Non-Major Funds	
22000	Athletics	44,985
24106	IDEA-B Entitlement	2,745
24107	IDEA-B Discretionary	5,040
24109	IDEA-B Preschool	64
24118	Fresh Fruits and Vegetables USDA	11,544
24153	English Language Acquisition	25,736
24154	Teacher/Principal Training & Recruiting	15,167
24162	Title I School Improvement	53,148
24174	Carl D. Perkins - Special Projects - Current	549
24175	Carl D. Perkins - Secondary PY Unliq. Obligations	472
27107	2012 GO Bonds Student Library Fund (SB66)	30,226
27139	Truancy/Prevention Intervention	612
27183	NM Grown Fresh Fruits and Vegetables	581
28189	GRADS - Child Care	6,364
	Subtotal	144,399
	Total	\$ 311,892

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10. Other Required Individual Fund Disclosures – (Continued)

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

Fund #	Fund Name	Function	Amount
Non-Major Funds:			
24153	English Language Acquisition	General Administration	615
25152	Title XIX Medicaid 0/2 Years	Support Services	5,423
27149	Pre K Initiative	General Administration	268
31700	Capital Improvements SB-9	General Administration	2,338
Total			<u><u>\$ 8,644</u></u>

C. Two funds had designated cash appropriations in excess of available balances for the year ended June 30, 2014. They were Bond Building and Capital Improvements SB-9 in the amounts of \$256,710 and \$478,324, respectively.

NOTE 11. Pension Plan – Educational Retirement Board

Plan Description. Substantially all of Belen Consolidated School District No. 2’s full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978.) The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB’s website at www.nmerb.org.

Funding Policy:

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.10% of their gross salary in fiscal year 2014; and 10.70% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

Belen Consolidated School District No. 2 was required to contribute 13.15% of the gross covered salary in fiscal year 2014. In fiscal year 2015 Belen Consolidated School District No. 2 will contribute 13.90% of gross covered salary.

The contribution requirements of plan members and Belen Consolidated School District No. 2 are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District’s contributions to ERB for the fiscal years ending June 30, 2014, 2013, and 2012, were \$2,822,059, \$2,419,132, and \$2,185,680 respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

Plan Description. Belen Consolidated School District No. 2 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and / or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

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

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, 2014, 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.

The District's contributions to the RHCA for the years ended June 30, 2014, 2013, and 2012 were \$430,473, \$435,571, and \$413,805 respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 13. Contingent Liabilities

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

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

NOTE 14. Subsequent Accounting Standard Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 *Accounting and Financial Reporting for Pensions* which is effective for annual reporting periods beginning after June 15, 2014. Statement No. 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Due to the implementation of GASB 68 in fiscal year 2015, Belen Consolidated School District No. 2's financial statements will include a material liability for pension participation costs which have not been previously disclosed. The amount of this liability cannot be determined at this time, but it will have a significant effect on the financial statement presentation in the next fiscal year.

NOTE 15. Restatement/Prior Period Adjustments

During the year ended June 30, 2014, there was a restatement in the District's financial statements in the amount of \$1,111,723. This total is principally due to an adjustment in construction in progress amounts which were improperly included in the prior year. The fixed asset reduction amounted to \$979,127.

With the implementation of GASB statement No. 65, the District eliminated bond issuance costs in the amount of \$194,085, of which \$82,268 was accumulated amortization of for a net elimination of \$111,817. Additionally, the District discovered previous bond premiums which had not been capitalized. Additional premiums of \$143,575 less accumulated amortization of \$126,123 were capitalized in this year's statements for a net reduction of \$17,452.

The District made adjustments to three funds during the year netting to a reduction of \$3,327.

NOTE 16. Subsequent Events

A review of subsequent events through November 14, 2014 is the date the financial statements were available to be issued, indicated nothing of audit significance other than those disclosed below.

On September 26, 2014, Belen Consolidated School District No. 2 retired several outstanding bond issues. The District retired the 2002, 2003, and 2004 series general obligation bonds. The total cost of this defeasance was \$2,271,773, which saved the District \$136,753 in interest versus paying the bonds through maturity.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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The Book-Entry-Only System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Limited Book-Entry Responsibilities

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

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

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

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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FORM OF BOND COUNSEL OPINION

_____, 2015

Board of Education
Belen Consolidated School District No. 2
Belen, New Mexico

Ladies and Gentlemen:

We have acted as bond counsel to Belen Consolidated School District No. 1 (the "District") in connection with the issuance of its \$6,285,000 General Obligation Refunding Bonds, Series 2015 (the "Bonds"), dated _____, 2015, with interest payable on August 1, 2016, and semi-annually thereafter on each February 1 and August 1 until maturity, and being bonds in registered form maturing on August 1 in the years 2016 through 2022.

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

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

2. Assuming continuing compliance by the District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and with the covenants contained in the Transcript regarding the use, expenditure and investment of Bond proceeds, interest on the Bonds is not includable in the gross income of the owners of the Bonds for purposes of federal income taxation. Interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. Failure of the District to comply with its covenants and with the requirements of the Code may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issuance.

3. Interest on the Bonds is excluded from net income for purposes of the tax imposed on individuals, estate and trusts under the New Mexico Income Tax Act and for purposes of the tax imposed on corporations under the New Mexico Corporate Income and Franchise Tax Act.

Other than as described herein, we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Bonds.

The opinions expressed herein represent our legal judgment based upon existing legislation as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of a result, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation.

We are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds.

Respectfully Submitted,

APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

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CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the Belen Consolidated School District No. 2, Valencia and Socorro Counties, New Mexico (the "District"), in connection with the issuance of the Belen Consolidated School District No. 2, Valencia and Socorro Counties, New Mexico, General Obligation Refunding Bonds, Series 2015 (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District adopted on November 12, 2015 (the "Resolution"). Pursuant to the Resolution, to allow the underwriters of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) "Annual Financial Information" means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB")) and operating data with respect to the District, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type set forth under the captions "DEBT AND OTHER FINANCIAL OBLIGATIONS - Outstanding Debt," "TAX BASE – Analysis of Assessed Valuation," "TAX RATES" "TAX COLLECTIONS," "THE DISTRICT – Enrollment" and the Audited Financial Statements when available for distribution.

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

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

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

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

(f) "Official Statement" means the Official Statement dated November 12, 2015, delivered in connection with the original issue and sale of the Bonds.

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

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

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

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

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

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

(b) The District will timely provide to EMMA notice of failure to provide Annual Financial Information or Audited Financial Statements in the event these items are not available by the Report Date. If Audited Financial Statements are not provided as a part of the Annual Financial Information, the District, or its designated agent, will provide unaudited operating results as part of the Annual Financial Information. Such unaudited operating results will be on a cash or budgetary basis as required by the Public Education Department of the State of New Mexico ("PED"). The District does not prepare or provide an unaudited statement of net assets. The District will then provide Audited Financial Statements when they become available.

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

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

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

(viii) bond calls, if material, or tender offers;

(ix) defeasances;

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

(xi) rating changes;

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

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.

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

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

Section 5. Enforcement. The obligations of the District under this Undertaking are for the benefit of the Owners. Each Owner is authorized to take action to seek specific performance by court order to compel the District to comply with its

obligations under this Undertaking, which action will be the exclusive remedy available to it or any other Owner. The District's breach of its obligations under this Undertaking will not constitute an event of default under the Resolution, and none of the rights and remedies provided by such Resolution will be available to the Owners with respect to such a breach.

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

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

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

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

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

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

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

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

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

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Date: December 15, 2015.

BOARD OF EDUCATION OF BELEN
CONSOLIDATED SCHOOL DISTRICT
NO. 2

By _____
President

[SEAL]

ATTEST:

Secretary

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APPENDIX F

OFFICIAL NOTICE OF SALE/BID FORM/ISSUE PRICE CERTIFICATE

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OFFICIAL NOTICE OF BOND SALE

\$6,285,000

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COUNTIES OF VALENCIA AND SOCORRO, NEW MEXICO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2015

PUBLIC NOTICE IS HEREBY GIVEN that the Board of Education of the Belen Consolidated School District No. 2 (“Board”), governing body of the Belen Consolidated School District No. 2 (“District”), Valencia and Socorro Counties, New Mexico, will, beginning at the hour of 10:30 a.m., local time on November 12, 2015, receive bids at the Board Room of the Belen Schools Administration Building, 520 North Main, Belen, New Mexico, or at such other time or place to be designated as provided below, for the purchase of the District’s General Obligation Refunding Bonds (the “Series 2015 Bonds”), in the aggregate principal amount of \$6,285,000 and then will publicly examine the bids received. The Board will hold a regular meeting at the Board Room of the Belen Schools Administration Building, 520 North Main, Belen, New Mexico, on November 12, 2015, at 6:00 p.m., local time, after receipt and opening of such bids, and will award the Series 2015 Bonds to the best bidder, adopt a bond resolution, and consider any other related matters.

DESCRIPTION OF ISSUE: The \$6,285,000 of the Series 2015 Refunding Bonds will be issued to refinance and refund the outstanding Series 2007 Bonds of the District.

The Bonds will be issued in the aggregate principal amount of \$6,285,000, will be dated the date of delivery, will be issued as fully registered bonds and will mature on August 1 of each year as follows:

<u>Years Maturing</u>	<u>Amounts Maturing*</u>
2016	\$1,045,000
2017	270,000
2018	800,000
2019	1,200,000
2020	970,000
2021	1,000,000
2022	1,000,000

*Preliminary and subject to change.

The Series 2015 Bonds will be fully registered bonds in the denomination of \$5,000 each, or any integral multiple thereof. Interest will be payable on August 1, 2016 and semiannually thereafter on February 1 and August 1 of each year.

ADJUSTMENT OF PRINCIPAL AMOUNTS, MODIFICATION OR CLARIFICATION PRIOR TO RECEIPT OF BIDS: The Superintendent may, after consultation with the Board's financial and bond advisors, in the Superintendent's sole discretion and prior to the examination of bids, (i) adjust the aggregate principal amount set forth herein; (ii) adjust individual maturities; and/or (iii) modify or clarify any other term hereof by issuing a notification of the adjusted amounts, modification or clarification via Thomson Municipal News ("TM3") and/or Bloomberg Financial Services no later than 8:30 a.m., prevailing Mountain Time, on the Bid Date.

RESCHEDULING OF BID DATE AND DEADLINE: The Superintendent may, after consultation with the Board's financial and bond advisors, in the Superintendent's sole discretion on notice given at least twenty-four (24) hours prior to November 12, 2015 (the "Original Deadline"), reschedule the bid date and Original Deadline, and may, at that time or a subsequent time on at least twenty-four (24) hours prior notice, in each case via TM3 and/or Bloomberg Financial Services, establish a rescheduled bid date and rescheduled deadline and a place where electronic bids will be publicly examined.

For purposes of bids received through the electronic bidding process, the time as maintained by PARITY shall constitute the official time.

BIDS DELIVERED TO THE BOARD: Sealed bids, plainly marked "Bid for Series 2015 Bonds," should be addressed to "Board of Education, the Belen Consolidated School District No. 2," and delivered to RBC Capital Markets, LLC, 6301 Uptown Blvd., NE, Albuquerque, New Mexico 87110, Attention: Charles Casey, or sent electronically via PARITY, prior to 10:30 a.m., local time, on November 12, 2015, the date of the bid opening. Such bids must be submitted on the Official Bid Form, without alteration or interlineation or through the electronic bidding process described below.

BID ADJUSTMENT AFTER RECEIPT OF BIDS: The District reserves the right, after receipt of bids, to adjust the principal amount and maturity schedule for the Bonds by increasing or decreasing the principal amount of each maturity, no later than two (2) hours following receipt of bids to obtain sufficient funds to complete the improvements; notice of any adjustment will be given promptly to the best bidder and any adjustment will be done in a "spread neutral" manner.

ELECTRONIC BIDDING PROCEDURES: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The Board will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Series 2015 Bonds on the terms provided in this Official Notice of Meeting and Bond Sale ("Notice"), and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Board. The Board and RBC Capital Markets, LLC ("District's Financial Advisor") shall not be responsible for any malfunction or mistake made by or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Notice conflict with information provided by PARITY, as the approved provider of electronic bidding services, this Notice shall control. Further information about PARITY, including any fee charged, may be obtained from BIDCOMP/PARITY, 1359 Broadway, 2nd Floor, New York, New York 10018, i-Deal Prospectus:(212) 849-5024 or (212) 849-5025; BidComp/Parity: (212) 849-5021.

For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the Board, as described under "BASIS OF AWARD" below. All electronic bids shall be deemed to incorporate the provisions of this Notice and the Official Bid Form.

REDEMPTION: The Bonds are not subject to redemption prior to their maturities.

PAYMENT OF PURCHASE PRICE: The purchaser will be required to make payment of the balance of the purchase price of the Series 2015 Bonds (after credit for the bidder's good faith deposit, without interest to the purchaser) in immediately available funds at a depository designated by the District.

INTEREST RATE AND BID LIMITATIONS: The maximum net effective interest rate permitted on the Series 2015 Bonds is ten percent (10%), and no interest rate on any maturity of the Series 2014 Bonds may be greater than ten percent (10%) per annum. It is permissible to bid different or split rates of interest; provided, however, that: (1) no bid shall specify more than one interest rate for each maturity; (2) each interest rate specified must be stated in a multiple of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) per annum; and (3) the maximum interest rate specified for any maturity may not exceed the minimum interest rate specified for any other maturity by no more than two percent (2%). A bid of zero percent is not permitted. Any bid premium must not exceed 3% of the par amount of the Series 2015 Bonds.

The Series 2015 Bonds will not be sold for less than par.

Bidders are required to submit a bid specifying the lowest rate or rates of interest at which such bidder will purchase the Bonds. For informational purposes only, each bidder is requested to specify: (a) the method of payment of the good faith deposit, (b) the True Interest Cost on the Bonds stated as a nominal annual percentage rate (see "BASIS OF AWARD" below), (c) gross interest cost, and (d) net interest cost. Only unconditional bids shall be considered. Bids should be submitted on the Official Bid Form, which may be obtained from the District's Financial Advisor (see "FURTHER INFORMATION" below).

INSURANCE: The District may apply for municipal bond insurance for payment of principal of and interest on the Series 2015 Bonds. If the Series 2015 Bonds are approved for municipal bond insurance, the Series 2015 Bonds may be insured at the bidder's request and expense; and if the successful bidder desires that a legend be printed on the Series 2015 Bonds stating they are insured, the form of such legend and a written request that it be printed on the Series 2015 Bonds must be received by the District's Financial Advisor, identified under "Information" below, within 48 hours of the award of the Series 2015 Bonds to the successful bidder. At the delivery of the Series 2015 Bonds, the bidder is required to provide documentation to the District confirming that the premiums due the insurance company and any rating agency fees (other than the fees of Moody's Investors Service, which will be paid by the District) have been fully paid.

BASIS OF AWARD: The Series 2015 Bonds will be awarded to the best bidder, considering the interest rate or rates specified and subject to the right of the Board to reject any and all bids and re-advertise. The best bid will be determined and will be awarded on the basis of the True Interest Cost of the Series 2015 Bonds (i.e., using a True Interest Cost method) for each bid received, and an award will be made (if any is made) to the responsible bidder submitting the bid that results in the lowest actuarial yield on the Series 2015 Bonds. "True Interest Cost" of the Series 2015 Bonds, as used herein, means that yield, which if used to compute the present worth, as of the date of the Series 2015 Bonds, of all payments of principal and interest to be made on the Series 2015 Bonds, from their date to their respective maturity dates, as specified in the maturity schedule and without regard to the possible optional prior redemption of the Series 2015 Bonds, using the interest rates specified in the bid, produces an amount equal to the principal amount of the Series 2015 Bonds. No adjustment shall be made in such calculation for accrued interest on the Series 2015 Bonds from their date to the date of delivery thereof. Such calculation shall be based on a 360-day year consisting of twelve thirty-day months and a semiannual compounding interval. The purchaser must pay accrued interest from the date of the Series 2015 Bonds to the date of delivery. **The Series 2015 Bonds will not be sold for less than par plus accrued interest.** The District reserves the right to waive any irregularity or informality in any bid, except time of filing.

GOOD FAITH DEPOSIT: All bids submitted shall be sealed or received by electronic transmission, and have a good faith deposit of \$125,700, representing 2% of the par amount which may be sent by wire transfer to a bank account designated by the District, in the form of cash, cashier's check, treasurer's check or by certified check drawn on a solvent commercial bank or trust company in the United States of America and be payable to "Belen Consolidated School District" except for any bid of the State of New Mexico, if one is received. The good faith deposit must accompany any bid or be submitted prior to official award of the Bonds by the Board. If the good faith deposit is by electronic wire transfer not later than 3:30 p.m., prevailing Mountain Time on November 12, 2015, the successful bidder must send an electronic wire transfer to such account as the District shall specify in immediately available funds. If the wire transfer is not received by 3:30 p.m. prevailing Mountain Time on November 12, 2015, the next best bidder may be awarded the Bonds. No interest on the good faith deposit will accrue to the successful bidder. The good faith deposit will be applied to the purchase price on the Bonds. Notice to the winning bidder will be made by the Financial Advisor.

If a financial security bond is used, it must be from an insurance company that is licensed to issue such a bond in the State of New Mexico and that has a long term rating by a nationally recognized rating agency of one of the two highest rating categories for long term obligations. The financial security bond must identify each bidder whose good faith deposit is guaranteed by such bond. If the Bonds are awarded to a bidder utilizing a financial security bond, then that successful bidder is required to submit the amount of the good faith deposit to the District in the form of a cashier's, treasurer's or certified check as provided in the first sentence of this paragraph (or wire transfer such amount as instructed by the District or its Financial Advisor) not later than 3:30 p.m., local time, on the next business day following the opening of the bids for the Bonds. If such good faith deposit is not received by that time, the financial security bond may be drawn upon by the District to satisfy the good faith deposit requirement. No interest on such good faith deposit will accrue to the successful bidder. If the financial security bond is drawn against or the winning bidder wire transfers to the District the amount of the good faith deposit, such cash deposit will be applied to the purchase price of the Bonds.

The good faith deposit shall be returned if the bid is not accepted by the Board. If the successful bidder fails or neglects to complete the purchase of the Bonds within forty-five (45) days following the acceptance of the bid or within ten (10) days after the Bonds are offered for delivery, whichever is later, the amount of the deposit shall be forfeited to the District as liquidated damages, and, in that event, the Board may accept the bid of the one making the next best bid. If all bids are rejected, the Board shall readvertise the Bonds for sale in the same manner as herein provided for the original advertisement. If there be two or more equal bids and such bids are the best bids received, the Board shall determine which bid shall be accepted.

TIME OF AWARD AND DELIVERY: The Board will take action awarding the Series 2015 Bonds or rejecting all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of the bids. Delivery of the Series 2015 Bonds will be made to the successful bidder through the facilities of The Depository Trust Company, New York, New York, within 60 days of the acceptance of the bid. If for any reason delivery cannot be made within 60 days, the successful bidder shall have the right to purchase the Series 2015 Bonds during the succeeding 30 days upon the same terms, or at the request of the successful bidder, during said succeeding 30 days, the good faith deposit will be returned, and such bidder shall be relieved of any further obligation. It is anticipated that the delivery of the Series 2015 Bonds will be on or about December 15, 2015.

NEW MEXICO CREDIT ENHANCEMENT PROGRAM: The District will qualify the Bonds for the New Mexico Credit Enhancement Program created under Section 22-18-13, NMSA 1978 and the District will apply and pay for a Moody's Investor's Service, Inc., rating on the Bonds based on the New Mexico Credit Enhancement Program.

FURTHER INFORMATION: Information concerning the Series 2015 Bonds, information regarding electronic bidding procedures, bid submission and other matters related to the Series 2015 Bonds, including printed copies of this Notice, the Official Bid Form, and the Preliminary Official Statement ("Preliminary Official Statement"), may be obtained from the District's Financial Advisor, RBC Capital Markets, LLC, 6301 Uptown Blvd., NE, Albuquerque, New Mexico 87110, Attention: Charles Casey. This Notice, the Official Bid Form and the Preliminary Official Statement are available for viewing in electronic format at www.fnhub.com. The District has prepared the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Series 2015 Bonds, but will not prepare any other document or version for such purpose except as described below. In addition, any FINRA registered broker-dealers or dealer banks with The Depository Trust Company clearing arrangements who bid on the Series 2015 Bonds are advised that they may either: (a) print out a copy of the Preliminary Official Statement on their own printer or (b) at any time prior to the sale date, elect to receive a photocopy of the Preliminary Official Statement in the mail by requesting it from the District's Financial Advisor. All bidders must review the Preliminary Official Statement, and by submitting a bid for the Series 2015 Bonds, each bidder certifies that such bidder has done so prior to participating in the bidding.

The District will agree in a separate agreement to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12 ("Rule"), as described in the Preliminary Official Statement under "Continuing Disclosure of Information." The Preliminary Official Statement is deemed final by the District for purposes of Rule 15c2-12(b)(1) except for the omission of the following information: the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, any other terms or provisions required by an insurer of such securities to be specified in the winning bid, ratings, other terms of the securities depending on such matters, and the identity of the purchaser. The Board will furnish to the successful bidder or bidders, acting through a designated senior representative, in accordance with instructions received from such successful bidder(s) in order to comply with the Rule, within seven (7) business days from the sale date an aggregate of 20 copies of the final Official Statement, reflecting interest rates and other terms relating to the initial reoffering of the Series 2015 Bonds. The cost of preparation of the Official Statement shall be borne by the District except for the cost of any final Official Statement in excess of the number specified shall be borne by the successful bidder(s).

QUALIFIED TAX EXEMPT OBLIGATIONS: The District intends to designate the Bonds as "QUALIFIED TAX EXEMPT OBLIGATIONS" for purposes of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"). Section 265 of the Code permits the designation of governmental bonds such as these Bonds as qualified tax exempt obligations, based upon certain representations made hereinbelow (and certain representations by the initial purchaser of the Bonds):

- (a) The Bonds are not private activity bonds;

(b) The District does not reasonably expect to issue qualified tax exempt obligations in an aggregate principal amount exceeding \$6,285,000 during calendar year 2015; and

(c) The District has not and will not designate more than \$6,285,000 in aggregate principal amount of qualified tax exempt obligations during calendar year 2015.

TRANSCRIPT AND LEGAL OPINIONS: The New Mexico Attorney General's written approval of the Series 2015 Bonds, as to form and legality, will be supplied. In addition, the legality of the Series 2015 Bonds will be approved by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Attorneys at Law, Albuquerque, New Mexico, whose opinion approving the legality of the Series 2015 Bonds will be furnished to the successful bidder at no cost to the successful bidder. The opinion will state in substance that the issue of the Series 2015 Bonds is valid and legally binding upon the District, that all of the taxable property in the District is subject to the levy of a tax to pay the same without limitation of rate or amount, and that interest on the Series 2015 Bonds is excludable from gross income for purposes of federal income tax.

The successful bidder (without cost to such bidder) will also be furnished with a complete transcript of the legal proceedings, including a no-litigation certificate stating that to the knowledge of the signer or signers thereof, as of the date of the delivery of the Series 2015 Bonds, no litigation is pending affecting their validity or the levy or collection of such taxes for their payment.

BOOK-ENTRY ONLY OBLIGATIONS: The Series 2015 Bonds will be issued in book-entry only form through the facilities of the Depository Trust Company (see Preliminary Official Statement).

CUSIP NUMBERS: CUSIP identification numbers may be typed or printed on the Series 2015 Bonds, but neither the failure to provide such number on any Series 2015 Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser thereof to accept delivery of and to pay for the Series 2015 Bonds in accordance with the terms hereof. All expenses in relation to the CUSIP Service charge for the assignment of said numbers will be the responsibility of and will be paid for by the purchaser.

BLUE SKY LAWS: The District has not investigated the eligibility of any institution or person to purchase or participate in the underwriting of the Series 2015 Bonds under any applicable legal investment, insurance, banking, or other laws.

By submitting a bid, the initial purchaser represents that the sale of the Series 2015 Bonds in states other than New Mexico will be made only under exemptions from registration, or, wherever necessary, the initial purchaser will register the Series 2015 Bonds in accordance with the securities laws of the state in which the Series 2015 Bonds are offered or sold. The District agrees to cooperate with the initial purchaser, at the initial purchaser's written request and expense, in registering the Series 2015 Bonds or

obtaining an exemption from registration in any state where such action is necessary but will not consent to service of process in any such jurisdiction.

DATED this 13th day of October, 2015.

BOARD OF EDUCATION OF THE BELEN
CONSOLIDATED SCHOOL DISTRICT NO. 2

By _____
President

[SEAL]

ATTEST:

By _____
Secretary

OFFICIAL BID FORM
(November 12, 2015)

Belen Consolidated School District No. 2
RBC Capital Markets, LLC
6301 Uptown Blvd., NE, Suite 110
Albuquerque, NM 87110

Members of the Board:

Pursuant to your "Official Notice of Bond Sale," dated October 13, 2015, relating to the District's General Obligation Refunding Bonds, Series 2015, ("Bonds") in the principal amount of \$6,285,000, which by reference is made a part hereof, we submit the following bid:

For your legally issued Bonds as described in said "Official Notice of Bond Sale," we will pay you par, provided the Bonds bear interest per annum as follows:

<u>Maturing (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2016	\$1,045,000*		
2017	270,000*		
2018	800,000*		
2019	1,200,000*		
2020	970,000*		
2021	1,000,000*		
2022	1,000,000*		

*Preliminary and subject to change.

All bids submitted shall be sealed or received by electronic transmission, and have a good faith deposit of \$125,700, representing 2% of the par amount which may be sent by wire transfer to a bank account designated by the District, or by cashier's check, treasurer's check or by certified check drawn on a solvent commercial bank or trust company in the United States of America and be payable to "Belen Consolidated School District No. 2" except for any bid of the State of New Mexico, if one is received. The good faith deposit must be received prior to official award of the Bonds by the Board in accordance with the terms set forth in the "Official Notice of Bond Sale." We will pay the CUSIP Service Bureau charge, if any, for the assignment of CUSIP numbers.

The undersigned agrees to complete, execute, and deliver to the District within two business days from the date hereof a Certificate of Underwriter Regarding Issue Price or a similar certificate relating to the "issue price" of the Bonds, in the form attached hereto as Exhibit A, within two business days from the date hereof.

We understand and agree that no more than twenty (20) copies of the final Official Statement, including any amendments or supplements thereto will be supplied to us at the District's expense and that any additional copies requested will be subject to a charge to us. By accepting this bid, you agree to provide such copies of the final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Bond Sale, and you undertake your other obligations described therein, as contemplated by Rule 15c2-12 of the Securities and Exchange Commission.

Respectfully submitted,

By: _____
Authorized Representative

* (Strike inapplicable words)

For informational purposes only, our calculation of the True Interest Cost is as follows:

True Interest Cost: (stated as a nominal annual percentage) _____%

Additionally, for informational purposes only, the following is requested:

Gross Interest Cost: \$ _____

Bond Insurance (if any) at Cost of Bidder:

Less Premium Bid: \$ _____

Name of Company: _____

Net Interest Cost: \$ _____

Insurance Premium: \$ _____

Additional Rating (if any) at Cost of Bidder:

ACCEPTANCE CLAUSE

The above bid is hereby in all things accepted by the Belen Consolidated School District No. 2, Valencia and Socorro Counties, New Mexico, this ____ day of _____, 2015.

BELEN CONSOLIDATED SCHOOL DISTRICT
NO. 2, VALENCIA AND SOCORRO COUNTIES,
NEW MEXICO

By _____
President, Board of Education

Secretary, Board of Education

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EXHIBIT A

CERTIFICATE REGARDING ISSUE PRICE

The undersigned hereby certify as follows with respect to the \$6,285,000 principal amount of Belen Consolidated School District No. 2, Valencia and Socorro Counties, New Mexico General Obligation Refunding Bonds, Series 2015 (the "Bonds").

1. The undersigned is the original purchaser which purchased the Bonds from Belen Consolidated School District No. 2, Valencia and Socorro Counties, New Mexico (the "District").

2. The initial offering prices of the Bonds at which bona fide offers of sale of each maturity were made to the public are as follows:

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Dollar Price</u>	<u>Actual Price</u>
2016	\$1,045,000*				
2017	270,000*				
2018	800,000*				
2019	1,200,000*				
2020	970,000*				
2021	1,000,000*				
2022	1,000,000*				

3. All of the Bonds were offered to the public at the initial offering prices set forth above and we reasonably expected to sell at least 10% of the principal amount of each maturity of the Bonds to the public (other than to bond houses, brokers and other intermediaries) at not more than the initial offering price of each such maturity. The aggregate of the initial offering prices of each maturity of the Bonds is \$_____ (consisting of \$_____ as the par amount of the Bonds, and a net re-offering premium in the amount of \$_____).

4. The undersigned understands that the statements made herein will be relied upon by the District in its effort to complete the Information Return for Tax-Exempt Governmental Bond Issues (Form 8038-G), required to be filed pursuant to the Internal Revenue Code of 1986, as amended, and with regard to establishing facts and circumstances relied on by the District and bond counsel in connection with the issuance of the Bonds and the exclusion of interest on the Bonds from gross income for federal income tax purposes. Such reliance is hereby authorized and approved; provided, however, that nothing herein represents our interpretation of any laws, and in particular, regulations under section 148 of the Internal Revenue Code.

Executed and delivered this ____ day of _____, 2015.

[BOND PURCHASER]

By: _____
Authorized Representative