

OFFICIAL STATEMENT DATED AUGUST 2, 2016

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
Valencia and Socorro Counties, New Mexico

\$5,200,000 - General Obligation School Bonds, Series 2016A (the "Series 2016A Bonds")

\$3,560,000- General Obligation Refunding Bonds, Series 2016B (the "Series 2016B Bonds")

	NEW ISSUE Book-Entry Only	BANK-QUALIFIED Moody's Rating: Aa1 Enhanced (Underlying A3)
PURPOSES	Proceeds of the Series 2016A Bonds will be used for the purpose of (1) erecting, remodeling, making additions to and furnishing school buildings, purchasing and improving school grounds and purchasing computer software and hardware for student use in public school classrooms, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of those purposes within the District and (2) paying costs of issuance with such bonds. Proceeds of the Series 2016B Bonds will be used for the purpose of (1) advance refunding of the District's outstanding General Obligation School Building Bonds, Series 2008 (the "Refunded Bonds") and (2) paying costs of issuance of such 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 February 1, 2017. 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 2016A Bonds are subject to redemption prior to maturity as provided herein. The Series 2016B Bonds are not subject to redemption prior to maturity. 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 of the Series 2016A Bonds is also subject to the delivery of an approving opinion of the Attorney General of the State of New Mexico. Delivery of the Series 2016B Bonds is also subject to the approval of the New Mexico Department of Finance and Administration. The District will designate the Bonds as "qualified tax-exempt obligations" for financial institutions.	
DELIVERY	When, as and if issued, through DTC's facilities, on or about September 13, 2016.	
DATED DATE	Date of initial delivery of the Bonds.	
DUE DATE	August 1, as shown on the following page:	

Robert W. Baird & Co.

General Obligation School Building Bonds, Series 2016A									
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Year					Year				
Maturing		Interest	Price or	Cusip #	Maturing		Interest	Price or	Cusip #
(Aug. 1)	Principal	Rate	Yield	077581	(Aug. 1)	Principal	Rate	Yield	077581
2017	\$990,000	2.00%	0.80%	QC3	2024	\$350,000	2.000%	1.550%	QK5
2018	325,000	2.00%	0.90%	QD1	2025	350,000	2.000%	1.650%	QL3
2019	315,000	2.00%	1.05%	QE9	2026	350,000	2.250%	1.750%	QM1
2020	350,000	2.00%	1.15%	QF6	2027	350,000	2.250%	1.850%	QN9
2021	350,000	2.00%	1.25%	QG4	2028	350,000	2.250%	2.000%	QP4
2022	350,000	2.00%	1.35%	QH2	2029	350,000	2.500%	2.100%	QQ2
2023	100,000	2.00%	1.45%	QJ8	2030	320,000	2.750%	2.200%	QR0

General Obligation Refunding Bonds, Series 2016B									
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Year					Year				
Maturing		Interest	Price or	Cusip #	Maturing		Interest	Price or	Cusip #
(Aug. 1)	Principal	Rate	Yield	077581	(Aug. 1)	Principal	Rate	Yield	077581
2018	\$750,000	2.00%	0.90%	QS8	2021	\$710,000	2.00%	1.25%	QV1
2019	535,000	2.00%	1.05%	QT6	2022	740,000	2.00%	1.35%	QW9
2020	825,000	2.00%	1.15%	QU3					

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

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

FINANCIAL ADVISOR

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

PURCHASER

Robert W Baird & Co Inc.
777 E Wisconsin Ave
Milwaukee, WI 53132
(414) 765-3725

ESCROW & PAYING AGENT/REGISTRAR

BOKF, N.A.
100 Sun Avenue NE, Suite 500
Albuquerque, New Mexico 87109
(505) 222-8447

TABLE OF CONTENTS

INTRODUCTION	1
A FEW WORDS REGARDING OFFICIAL STATEMENTS	1
THE ISSUER.....	2
THE FINANCIAL ADVISOR	2
LIMITED ROLE OF AUDITOR.....	2
THE BONDS	3
AUTHORITY	3
GENERAL TERMS.....	3
SECURITY FOR THE BONDS.....	4
SOURCES AND USES OF FUNDS.....	4
BOND REGISTRAR AND PAYING AGENT	4
PAYMENT OF PRINCIPAL AND INTEREST; RECORD DATE	4
OPTIONAL PRIOR REDEMPTION.....	5
REDEMPTION NOTICES.....	5
TRANSFERS AND EXCHANGES	5
LIMITED BOOK-ENTRY RESPONSIBILITIES	6
DEFEASANCE.....	6
SECURITY AND REMEDIES	7
LIMITATIONS OF REMEDIES.....	7
THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK	8
DEBT AND OTHER FINANCIAL OBLIGATIONS	9
OUTSTANDING DEBT	9
DEBT SERVICE REQUIREMENTS TO MATURITY.....	9
STATEMENT OF ESTIMATED DIRECT AND OVERLAPPING DEBT	10
SELECTED DEBT RATIOS	10
TAX BASE	11
ANALYSIS OF ASSESSED VALUATION.....	11
SCHOOL TAX RATES	12
TAX RATES	13
YIELD CONTROL LIMITATIONS	14
DEVELOPMENTS LIMITING RESIDENTIAL PROPERTY TAX INCREASES.....	14
TAX COLLECTIONS.....	15
INTEREST ON DELINQUENT TAXES	15
PENALTY FOR DELINQUENT TAXES.....	15
REMEDIES AVAILABLE FOR NON-PAYMENT OF TAXES.....	15
THE DISTRICT	16
SCHOOL DISTRICT POWERS	16
MANAGEMENT	16
INSURANCE	17
ENROLLMENT	17
FINANCES OF THE EDUCATIONAL PROGRAM	17
SOURCES OF REVENUES FOR GENERAL FUND.....	17
STATE EQUALIZATION GUARANTEE PROGRAM.....	18
STATEMENT OF NET POSITION.....	20
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES.....	21
DEBT SERVICE	22

BOND BUILDING CAPITAL PROJECTS	22
AGENCY FUNDS	22
DISTRICT BUDGET PROCESS	22
RETIREMENT PLAN	23
LEGAL MATTERS	25
TAX MATTERS	25
INTERNAL REVENUE SERVICE AUDIT PROGRAM	25
QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS	26
ORIGINAL ISSUE DISCOUNT	26
ORIGINAL ISSUE PREMIUM	26
LITIGATION	26
CONTINUING DISCLOSURE UNDERTAKING	27
EVENT NOTICES	27
LIMITATIONS AND AMENDMENTS	27
COMPLIANCE WITH PRIOR UNDERTAKINGS	28
RATINGS	28
VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS	28
DISCLOSURE CERTIFICATE	29
ADDITIONAL MATTERS	29
A LAST WORD	29

APPENDICES

- A. ECONOMIC & DEMOGRAPHIC INFORMATION
- B. EXCERPT OF AUDITED FINANCIAL STATEMENTS AS OF JUNE 30, 2015
- C. BOOK-ENTRY-ONLY SYSTEM
- D. FORM OF BOND COUNSEL'S OPINION
- E. CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2

Valencia and Socorro Counties, New Mexico

\$5,200,000 - General Obligation School Bonds, Series 2016A (the "Series 2016A Bonds")
\$3,560,000– General Obligation Refunding Bonds, Series 2016B (the "Series 2016B Bonds")

INTRODUCTION

Thank you for your interest in learning more about the Belen Consolidated School District No. 2, Valencia and Socorro Counties, New Mexico (the "District"), \$5,200,000 - General Obligation School Bonds, Series 2016A (the "Series 2016A Bonds") and \$3,560,000– General Obligation Refunding Bonds, Series 2016B (the "Series 2016B 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.

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 2016 preliminary assessed valuation is \$608,651,478 and its 40th day enrollment for school year 2015-16 was 4,031. 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, 2015 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 Series 2016B 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

Proceeds of the Series 2016A Bonds will be used for the purpose of (1) erecting, remodeling, making additions to and furnishing school buildings, purchasing and improving school grounds and purchasing computer software and hardware for student use in public school classrooms, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of those purposes within the District and (2) paying costs of issuance of the Series 2016A Bonds.

Proceeds of the Series 2016B Bonds will be used for (1) the advance refunding of the District's General Obligation School Bonds, Series 2008 maturing on and after August 1, 2018 (the "Refunded Bonds"); and (2) paying the costs of issuance of the Series 2016B Bonds. The Series 2016B 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 Refunded Bonds, maturing in the years 2018 through 2022, will be redeemed on August 1, 2017 at 100% of the principal amount thereof plus accrued interest to sale date.

The principal and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the redemption date of such Refunded Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and BOKF, N.A. ("Escrow Agent"). The Bond Resolution provides that from the proceeds of the sale of the Series 2016B Bonds and District cash, if necessary, 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.

Causey, Demgen & Moore P.C., a nationally recognized accounting firm, will verify at the time of delivery of the Series 2016B Bonds to the District, the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Federal Securities will not be available to pay any of the Bonds (see "Verification of Arithmetical and Mathematical Computations").

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds in accordance with the 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.

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	Series 2016A	Series 2016B	Total
Par Amount of Bonds	\$5,200,000.00	\$3,560,000.00	\$8,760,000.00
Premium	145,591.25	108,554.80	254,146.05
Total	\$5,345,591.25	\$3,668,554.80	\$9,014,146.05

Uses			
Project Fund	\$5,200,000.00		\$5,200,000.00
Deposit to Escrow Fund		\$3,578,337.22	3,578,337.22
Costs of Issuance	86,924.66	62,325.34	149,250.00
Underwriter's Discount	53,002.56	26,787.93	79,790.49
Debt Service Fund	5,664.03	1,104.31	6,768.34
Total	\$5,345,591.25	\$3,668,554.80	\$9,014,146.05

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 Series 2016A Bonds maturing on or after August 1, 2026 may be redeemed prior to their scheduled maturities on August 1, 2025, or on any date thereafter, in whole or in part, at the option of the District, with funds derived from any available and lawful source, at the redemption price of par, plus accrued interest to the date fixed for redemption. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

With respect to any optional redemption of the Series 2016A Bonds, unless certain prerequisites to such redemption have been met and moneys sufficient to pay the principal of and interest on the Series 2016A Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Series 2016A Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Series 2016A Bonds have not been redeemed.

The Series 2016B Bonds are not subject to redemption prior to maturity by the District.

Redemption Notices

The Registrar must, by first class mail, give redemption notices to the registered owners of the affected bonds and to various securities depositories and information services not less than 30 days prior to the redemption date. ***Please note that failure to give notice or any defect in such notice will not affect the validity of the redemption for 2016A Bonds which notice was properly given.*** No transfer of 2016A Bonds called for redemption shall be made within 45 days of the date of redemption.

While the 2016A Bonds remain under the Book-Entry-Only System, the Paying Agent/Registrar will send notices only to DTC. Any problems from DTC through its system to the beneficial owners of the 2016A Bonds will not affect the validity of the 2016A Bond redemption or any other action based on the Paying Agent/Registrar's notice. Investors in the 2016A Bonds might consider arranging to receive redemption notices or other communications from DTC which affect them, including notice of interest payments. See **"Book-Entry Only System"** in Appendix C.

If the Paying Agent/Registrar gives proper redemption notice and the Paying Agent/Registrar holds money to pay the redemption price of the affected Bonds, then on the redemption date the 2016A Bonds called for redemption will become due and payable. Thereafter, no interest will accrue on those 2016A Bonds, and their owners' only right will be to receive payment of the redemption price upon surrender of those 2016A Bonds to the Registrar.

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 of 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.

Series	Original Amount Issued	Final Maturity	Principal Outstanding
2005A	\$9,620,000	01-Aug-17	\$400,000
2008	5,000,000	01-Aug-17	200,000 ⁽¹⁾
2009	4,605,000	01-Aug-19	1,010,000
2013	13,250,000	01-Aug-27	10,075,000
2014	9,500,000	01-Aug-26	7,400,000
2015	6,195,000	01-Aug-22	5,195,000
2016A	5,200,000	01-Aug-30	5,200,000
2016B	3,560,000	01-Aug-22	3,560,000
	\$56,930,000		\$33,040,000

⁽¹⁾ Does not include the Refunded Bonds.

Debt Service Requirements to Maturity

Current Requirements ⁽¹⁾				Series 2016A Bonds				Series 2016B Bonds (Refunding)				Total Requirements		
Year	Principal	Interest	Total	Principal	Coupon	Interest	Total	Principal	Coupon	Interest	Total	Principal	Interest	Total
2017	\$2,655,000	\$741,628	\$3,396,628	\$990,000	2.00%	\$97,851	\$1,087,851			\$62,893	\$62,893	\$3,645,000	\$902,372	\$4,547,372
2018	2,100,000	624,063	2,724,063	325,000	2.00%	90,975	415,975	\$750,000	2.00%	71,200	821,200	3,175,000	786,238	3,961,238
2019	2,400,000	574,063	2,974,063	315,000	2.00%	84,475	399,475	535,000	2.00%	56,200	591,200	3,250,000	714,738	3,964,738
2020	1,725,000	505,063	2,230,063	350,000	2.00%	78,175	428,175	825,000	2.00%	45,500	870,500	2,900,000	628,738	3,528,738
2021	1,825,000	464,813	2,289,813	350,000	2.00%	71,175	421,175	710,000	2.00%	29,000	739,000	2,885,000	564,988	3,449,988
2022	1,700,000	421,938	2,121,938	350,000	2.00%	64,175	414,175	740,000	2.00%	14,800	754,800	2,790,000	500,913	3,290,913
2023	3,200,000	382,438	3,582,438	100,000	2.00%	57,175	157,175					3,300,000	439,613	3,739,613
2024	2,400,000	296,938	2,696,938	350,000	2.00%	55,175	405,175					2,750,000	352,113	3,102,113
2025	2,425,000	223,500	2,648,500	350,000	2.00%	48,175	398,175					2,775,000	271,675	3,046,675
2026	2,450,000	138,500	2,588,500	350,000	2.25%	41,175	391,175					2,800,000	179,675	2,979,675
2027	1,400,000	52,500	1,452,500	350,000	2.25%	33,300	383,300					1,750,000	85,800	1,835,800
2028				350,000	2.25%	25,425	375,425					350,000	25,425	375,425
2029				350,000	2.50%	17,550	367,550					350,000	17,550	367,550
2030				320,000	2.75%	8,800	328,800					320,000	8,800	328,800
	\$24,280,000	\$4,425,440	\$28,705,440	\$5,200,000		\$773,601	\$5,973,601	\$3,560,000		\$279,593	\$3,839,593	\$33,040,000	\$5,478,635	\$38,518,635

⁽¹⁾ Does not include the Refunded Bonds.

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.

	2016 Preliminary Assessed Valuation	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico*	\$58,412,964,620	\$326,755,000	1.04%	\$3,404,722
Valencia County	1,382,830,758	2,944,500	39.32%	1,157,763
Socorro County	268,247,049	4,730,000	19.45%	919,947
City of Belen	129,251,273	-	100.00%	-
Rio Communities	86,025,518	-	100.00%	-
UNM Valencia	1,391,422,140	525,000	43.74%	229,651
Belen Consolidated Schools	608,651,478	33,040,000 ⁽¹⁾	100.00%	33,040,000
Total Direct & Overlapping				\$38,752,083

* 2015 Final Assessed Valuation is used in this calculation, 2016 Preliminary AV is not available.

(1) Includes the Bonds. Does not include the Refunded Bonds.

Ratio of Estimated Direct & Overlapping Debt to 2016 Preliminary Assessed Valuation:	6.37%
Ratio of Direct & Overlapping Debt to 2015 Estimated Actual Valuation:	2.06%
Per Capita Direct & Overlapping Debt:	\$1,254.11
Population:	30,900

SELECTED DEBT RATIOS

	2016 Tax Year
2016 Preliminary Assessed Valuation	\$578,137,481
2016 Estimated Actual Valuation ⁽¹⁾	\$1,878,657,252
District General Obligation	
Debt Outstanding (Including the Bonds)	33,040,000 ⁽²⁾
District Net General Obligation Debt	\$32,377,463
District Net Debt as a Percentage of	
Assessed Valuation	5.60%
Estimated Actual Valuation	1.72%
Estimated Direct & Overlapping G/O Debt	\$38,752,083
Direct & Overlapping Debt as a Percentage of	
Assessed Valuation	6.70%
Estimated Actual Valuation	2.06%
Estimated Population	30,900
District Net Debt Per Capita	\$1,047.81
Direct & Overlapping Debt Per Capita	\$1,254.11

(1) Actual valuation is computed by adding 2015 exemptions to the assessed valuation and multiplying the result by three.

(2) 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 2016 preliminary assessed valuation is \$608,651,478.

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 preliminary assessed valuation for 2016 and the previous five years are presented below.

	2011	2012	2013	2014	2015	2016*
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	4,471,392	4,867,679	6,193,012	6,286,930	6,999,258	
Assessor's Total Value	479,587,200	485,463,071	503,673,061	513,946,781	516,736,088	
Total Exemptions	35,297,002	36,854,015	37,218,280	46,982,014	48,081,603	-
Assessor's Net Valuation	444,290,198	448,609,056	466,454,781	466,964,767	468,654,485	476,807,808
Centrally Assessed	101,451,031	101,142,217	91,015,036	103,162,694	109,482,996	131,843,670
Total Assessed Valuation	\$545,741,229	\$549,751,273	\$557,469,817	\$570,127,461	\$578,137,481	\$608,651,478
Residential	\$308,347,243	\$316,102,471	\$325,376,508	\$332,715,485	\$337,742,917	\$343,646,491
Non-Residential	237,393,986	233,648,802	232,093,309	237,411,976	240,394,564	265,004,987
	\$545,741,229	\$549,751,273	\$557,469,817	\$570,127,461	\$578,137,481	\$608,651,478

*Preliminary

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

	2011	2012	2013	2014	2015	2016*
Valencia County	\$501,829,539	\$506,082,830	\$511,836,597	\$520,636,130	\$526,989,244	\$555,134,227
Socorro County	43,911,690	43,668,443	45,633,220	49,491,331	51,148,237	53,517,251
	\$545,741,229	\$549,751,273	\$557,469,817	\$570,127,461	\$578,137,481	\$608,651,478

*Preliminary

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.

Taxpayer	Business	2015 Valuation	% of District A.V.
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%
District's 2015 Assessed Valuation		\$578,137,481	100.0%

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.

Tax Year	Operational		Two Mill Levy		Debt Service			Total	
	Resid.	Non-Resid.	Resid.	Non-Resid.	G/O Bonds	Ed Tech	Total	Resid.	Non-Resid.
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.

Within 20 Mill Limit for General Purposes					
	2015	2014	2013	2012	2011
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	0.254	0.255	0.211	0.211	0.209
Total	12.623	12.684	12.294	12.308	12.160
Over 20 Mill Limit - Interest, Principal, Judgement, etc.					
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	9.673	9.674	9.675	9.676	9.569
Total	14.511	17.463	17.257	17.847	17.415
Total Levy					
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	9.927	9.929	9.886	9.887	9.778
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:

Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Current Tax Collections ⁽¹⁾	Current Collections as a % of Net Levied	Current/Delinquent Tax Collections ⁽²⁾	Current/Delinquent Collections as a % of Net Levied
2015	15/16	\$41,225,397	\$38,001,422	92.18%	\$38,001,422	92.18%
2014	14/15	43,836,471	40,284,482	91.90%	41,879,253	95.54%
2013	13/14	42,023,897	38,542,428	91.72%	40,812,546	97.12%
2012	12/13	41,190,648	37,613,848	91.32%	39,997,211	97.10%
2011	11/12	41,108,956	37,356,417	90.87%	40,058,336	97.44%
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, 2016.

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 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

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".

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
Elementary	2,213	2,133	2,073	2,013	1,999
Middle School	1,009	1,013	952	938	902
High School	1,331	1,217	1,192	1,188	1,130
Total:	4,553	4,363	4,217	4,139	4,031

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 2015 the District received \$849,723 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 2015, the District received \$3,438 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 2015 the District received \$31,751,579 from state sources. Such payments represented approximately 97.4% of actual fiscal year 2015 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:

Year	Program	
	Unit Factor	Amount
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
2015-2016	4,027.75	30,154,890

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 2015, the District received \$291,983 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 2015 the District received \$1,487,676 for transportation purposes.

Statement of Net Position

Below is a history of the District's Statement of Net Assets for all governmental activities.

<i>Fiscal Year Ending June 30:</i>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
ASSETS					
<u>Current Assets</u>					
Cash & Investments	\$9,903,623	\$8,405,779	\$4,912,997	\$22,768,599	\$18,873,130
Receivables	3,194,709	2,907,761	3,951,706	3,259,356	3,025,715
Inventory	<u>169,631</u>	<u>192,581</u>	<u>193,317</u>	<u>203,567</u>	<u>204,647</u>
Total Current Assets	\$13,267,963	\$11,506,121	\$9,058,020	\$26,231,522	\$22,103,492
<u>Non-current Assets</u>					
Restricted Cash and Equivalents	\$4,498,232	\$4,338,141	\$4,569,664	-	-
Bond Premiums Net of Amortizations	26,612	22,237	17,862	13,489	9,115
Bond Issuance Costs Net of Amortization	144,309	128,063	111,817	0	0
Capital Assets net of depreciation	<u>60,612,549</u>	<u>66,153,518</u>	<u>59,243,352</u>	<u>60,696,811</u>	<u>66,637,537</u>
TOTAL ASSETS	<u>78,549,665</u>	<u>82,148,080</u>	<u>73,000,715</u>	<u>86,941,822</u>	<u>88,750,144</u>
DEFERRED OUTFLOWS OF RESOURCES					
Change in pension experience and proportion	-	-	-	-	\$2,997,372
LIABILITIES AND NET ASSETS					
<u>Current Liabilities</u>					
Accounts Payable	\$743,851	\$1,061,910	\$571,789	\$1,840,551	\$682,795
Accrued compensated absences	331,499	418,673	224,719	393,958	333,473
Accrued Payroll	607,762	621,227	642,877	1,482,678	1,463,047
Accrued Interest	380,909	342,469	312,643	450,393	481,955
Unearned revenues	-	-	-	24,110	27,877
Due to Other Governments	-	27,877	27,877	-	-
Due to Agency Fund	-	-	103,705	-	-
Current Portion of Long-term Debt	<u>2,650,000</u>	<u>2,110,000</u>	<u>1,830,000</u>	<u>4,295,000</u>	<u>4,175,000</u>
Total Current Liabilities	<u>4,714,021</u>	<u>4,582,156</u>	<u>3,713,610</u>	<u>8,486,690</u>	<u>7,164,147</u>
<u>Non-Current Liabilities</u>					
Long-term Debt	21,955,000	19,845,000	18,015,000	26,970,000	30,045,000
Bond Premium	145,204	124,624	104,038	176,342	471,244
Net pension liability	-	-	-	-	44,394,571
Accrued Compensated Balances	<u>259,488</u>	<u>39,797</u>	<u>282,279</u>	<u>18,172</u>	<u>-</u>
Total Non-current Liabilities	<u>22,359,692</u>	<u>20,009,421</u>	<u>18,401,317</u>	<u>27,164,514</u>	<u>74,910,815</u>
DEFERRED OUTFLOWS OF RESOURCES					
Change in pension experience and proportion	-	-	-	-	\$6,066,775
<u>Net Assets</u>					
Invested in Capital Assets	36,007,549	42,961,624	37,302,661	29,268,958	31,955,408
Restricted for:					
Debt Service	7,793,166	559,614	7,499,792	9,974,912	6,441,753
Capital Projects	1,992,206	280,683	2,087,531	9,649,997	11,107,854
Special Revenue	2,129,050	180,798	1,290,307	1,600,235	1,716,120
Unrestricted	<u>3,553,981</u>	<u>4,384,207</u>	<u>2,705,497</u>	<u>796,516</u>	<u>(47,615,356)</u>
Total Net Assets	<u>51,475,952</u>	<u>57,556,506</u>	<u>50,885,788</u>	<u>51,290,618</u>	<u>3,605,779</u>
TOTAL LIABILITIES & NET ASSETS	<u>78,549,665</u>	<u>82,148,083</u>	<u>73,000,715</u>	<u>86,941,822</u>	<u>91,747,516</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, 2015 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.

<i>Fiscal Year Ending June 30</i>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Local Sources:					
Property Taxes	\$156,354	\$172,593	\$179,193	\$179,725	\$194,604
Fees and Charges	57,369	72,761	49,591	274,075	234,470
Interest	0	1,516	9,565	465	285
Miscellaneous	15,394	79,570	88,368	419,208	420,364
State Sources:					
State Direct	30,410,201	30,374,504	29,242,429	29,215,541	29,971,920
State Flow-Through	250,029	192,407	659,400	246,873	291,983
Transportation	1,413,654	1,288,765	1,432,912	1,434,135	1,487,676
Federal Sources:					
Flow-Through	860,572	150,398	372,710	-	-
Direct	<u>19,715</u>	<u>66,147</u>	<u>50,779</u>	<u>3,385</u>	<u>3,438</u>
Total Revenues	<u>33,183,288</u>	<u>32,398,661</u>	<u>32,084,947</u>	<u>31,773,407</u>	<u>\$32,604,739</u>
Expenditures:					
Instruction	18,118,233	17,318,494	17,611,205	18,209,755	17,616,715
Support Services:					
Students	-	-	-	3,161,926	3,044,542
Instruction	6,879,535	6,430,092	7,010,366	721,943	670,306
General Administration	1,543,181	1,415,233	1,140,706	919,227	1,173,103
School Administration	-	-	-	1,927,907	1,832,457
Central Services	-	-	-	1,098,873	1,406,969
Operation & Maintenance of Plant	3,831,100	5,223,869	5,670,941	5,381,817	5,968,645
Food Services	-	36,477	-	-	-
Student Transportation	1,681,948	1,452,768	1,698,235	1,599,701	1,715,009
Other support Services	-	-	-	87,651	83,858
Community Services	54,334	77,462	82,041	79,531	74,027
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>32,108,331</u>	<u>31,954,395</u>	<u>33,213,494</u>	<u>33,188,331</u>	<u>33,585,631</u>
Excess revenues over expenditures	1,074,957	444,266	(1,128,547)	(1,414,924)	(980,892)
Fund Balance Beginning of Year	2,544,706	3,619,663	4,197,950	3,064,009	1,581,397
Transfers/Refunds/Adjustments	<u>-</u>	<u>134,021</u>	<u>(5,394)</u>	<u>(67,688)</u>	<u>-</u>
Fund Balance at End of Year	<u>3,619,663</u>	<u>4,197,950</u>	<u>3,064,009</u>	<u>1,581,397</u>	<u>600,505</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, 2015 is attached as Appendix B.

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.

Contributions:

For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Belen Consolidated School District No. 2 were \$2,997,046 for the year ended June 30, 2015.

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:

Fiscal Year Ending June 30	Employer Contributions	Employee Contributions	Net Assets Held in Trust
2011	\$308,367,952	\$247,407,988	\$9,642,229,673
2012	253,845,277	289,852,094	9,606,304,017
2013	299,657,530	248,785,187	10,358,058,861
2014	362,462,537	268,693,991	11,442,171,449
2015	395,129,621	294,560,840	11,642,543,051

Source: New Mexico Educational Retirement Board, Financial Report

Net Pension Liability

At June 30, 2015, the Belen Consolidated School District No. 2's reported a liability of \$44,394,571 for its proportionate share of the net pension liability. The Belen Consolidated School District No. 2's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the Belen Consolidated School District No. 2's proportion was 0.77807%, which was a decrease of 0.02940% from its proportion measured as June 30, 2013.

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.

The District's contributions to the RHCA for the years ended June 30, 2015, June 30, 2014, and June 30, 2013 are \$433,673, \$430,473, and \$435,571, respectively, which equal the required contributions for each year.

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.

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, the audit for the fiscal year ending June 30, 2014, was filed on January 30, 2015, and the audit for the fiscal year ending June 30, 2015, was filed on March 11, 2016.

RATINGS

Moody's Investors Service has assigned the Bonds a rating of "Aa1" 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 'A3'. 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

APPENDIX A

ECONOMIC & DEMOGRAPHIC INFORMATION

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 County 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	1,303,143
1990	6,547	45,575	1,515,069
2000	6,901	66,152	1,826,280
2010	7,269	76,740	2,065,826
2015*	7,152	75,737	2,085,572
2016 ⁽¹⁾	7,086	75,297	2,088,585
2021 ⁽¹⁾	6,782	74,622	2,111,960
Growth 2016-2021	-4.29%	-0.90%	1.12%

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

(1) Estimates. Source: The Nielsen Company, June 2016

(2) Projected. Source: The Nielsen Company, June 2016

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

Age Group	Valencia County	New Mexico	United States
0 - 17	24.5%	24.2%	23.0%
18 - 24	13.8%	9.9%	9.8%
25 - 34	12.0%	13.3%	13.35%
35 - 44	11.6%	11.8%	12.63%
45 - 54	13.2%	12.2%	13.33%
55 and Older	24.9%	28.6%	27.9%

Source: The Nielsen Company, June 2016

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	32.4%	28.4%	23.5%
\$25,000 - \$34,999	12.5%	11.6%	10.2%
\$35,000 - \$49,999	12.5%	14.1%	13.6%
\$50,000 - \$74,999	19.5%	17.1%	17.8%
\$75,000 and over	23.1%	28.8%	34.9%
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
2016 Est. Median Household Income	\$41,075	\$45,445	\$55,551

Source: The Nielsen Company, June 2016.

Employment

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

Year ⁽¹⁾	Valencia County		State of New Mexico		United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2016 ⁽²⁾	29,323	6.40%	915,803	6.00%	4.50%
2015	29,378	7.50%	919,889	6.60%	5.30%
2014	29,284	8.00%	918,206	6.50%	6.20%
2013	29,887	8.50%	922,960	6.90%	7.40%
2012	29,992	8.80%	928,050	7.10%	8.10%
2011	30,482	9.10%	929,862	7.60%	8.90%
2010	31,037	9.60%	936,088	8.10%	9.60%
2009	30,898	8.50%	940,352	7.50%	9.30%
2008	31,397	5.10%	944,548	4.50%	5.80%
2007	30,809	3.90%	934,027	3.80%	4.60%

(1) Numbers are annual averages.

(2) Data for the month of May 2016. Numbers are Preliminary.

Source: U.S. Bureau of Labor Statistics, July 2016.

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: Belen Chamber of Commerce

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 \(NAICS\)](#).

	2011	2012	2013	2014	2015 ⁽¹⁾
Grand Total	14,438	13,170	13,391	13,084	13,489
Total Private	10,413	9,264	9,477	9,098	9,546
Accommodation and Food Services	1,198	1,273	1,299	1,340	1,306
Administrative and Waste Services	220	224	220	220	224
Agriculture, Forestry, Fishing & Hunting	169	133	151	151	153
Arts, Entertainment, and Recreation	59	66	64	76	63
Construction	652	674	740	765	836
Educational Services	29	*	*	*	68
Finance and Insurance	286	283	286	309	303
Health Care and Social Assistance	2,968	2,083	2,092	1,604	1,790
Information	74	74	79	73	55
Management of Companies and Enterprises	83	86	129	101	91
Manufacturing	665	537	513	530	572
Mining	30	29	*	*	26
Other Services, Ex. Public Admin	248	238	231	239	230
Professional and Technical Services	257	260	259	257	260
Real Estate and Rental and Leasing	121	140	148	141	169
Retail Trade	2,128	2,103	2,113	2,143	2,236
Transportation and Warehousing	981	764	830	815	927
Utilities	51	58	55	55	46
Wholesale Trade	192	198	207	208	194
Total Government	4,032	3,986	3,962	3,984	3,943

(1) Data as of Fourth Quarter of 2015

* Withheld to avoid disclosing * data. Data that are not disclosed for individual industries are always included in the totals. Therefore, the individual industries may not sum to the totals.

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

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

APPENDIX B

EXCERPT OF AUDITED FINANCIAL STATEMENTS AS OF JUNE 30, 2015

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
JUNE 30, 2015



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
FOR THE YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		i
Official Roster		iv
FINANCIAL SECTION		
Independent Auditor's Report		v
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	1
Statement of Activities	A-2	2
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	3
Reconciliation of the Balance Sheet to the Statement of Net Position	B-2	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	B-3	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	B-4	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Operational Fund	C-1	9
Transportation Fund	C-2	10
Instructional Materials Fund	C-3	11
Statement of Fiduciary Assets and Liabilities	D-1	12
Notes to the Financial Statements		13
SUPPLEMENTARY INFORMATION		
Combining and Individual Fund Statements and Schedules		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	42
Special Revenue Funds Descriptions		43
Combining Balance Sheet – Nonmajor Special Revenue Funds	B-1	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	B-2	56
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Food Services Special Revenue Fund	B-3	65
Athletics Special Revenue Fund	B-4	66
Title I IASA Special Revenue Fund	B-5	67
IDEA-B Entitlement Special Revenue Fund	B-6	68
IDEA-B Discretionary Special Revenue Fund	B-7	69
IDEA-B Preschool Special Revenue Fund	B-8	70
Education of the Homeless Special Revenue Fund	B-9	71
Fresh Fruits and Vegetables Special Revenue Fund	B-10	72

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
FOR THE YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION	<u>Statement</u>	<u>Page</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
IDEA-B “Risk Pool” Special Revenue Fund	B-11	73
English Language Acquisition Special Revenue Fund	B-12	74
Teacher/Principal Training & Recruiting Special Revenue Fund	B-13	75
Safe & Drug Free Schools & Community Special Revenue Fund	B-14	76
Title I School Improvement Special Revenue Fund	B-15	77
Reading First Special Revenue Fund	B-16	78
Carl D Perkins Secondary – Current – Special Revenue Fund	B-17	79
Carl D Perkins Secondary – PY Unliq. Obligations Special Revenue Fund	B-18	80
Carl D Perkins Secondary – Redistribution Special Revenue Fund	B-19	81
Carl D Perkins Secondary – Redistribution 2	B-20	82
GRADS Child Care CYFD Special Revenue Fund	B-21	83
Title XIX Medicaid 0/2 Years Special Revenue Fund	B-22	84
Child Care Block Grant Special Revenue Fund	B-23	85
TANF/GRADS HSD Special Revenue Fund	B-24	86
New Mexico Community Foundation Special Revenue Fund	B-25	87
Dual Credit Instructional Materials Special Revenue Fund	B-26	88
2010 GO Bonds Student Library Fund (SB1) Special Revenue Fund	B-27	89
2012 GO Bonds Student Library Fund (SB66) Special Revenue Fund	B-28	90
New Mexico Reads to Lead K-3 Reading Initiative Special Revenue Fund	B-29	91
Technology for Education PED Special Revenue Fund	B-30	92
Truancy Prevention/Intervention Special Revenue Fund	B-31	93
PreK Initiative Special Revenue Fund	B-32	94
Beginning Teacher Mentoring Program Special Revenue Fund	B-33	95
Breakfast for Elementary Students Special Revenue Fund	B-34	96
Kindergarten – Three Plus Special Revenue Fund	B-35	97
After School and Summer Enrichment Program Special Revenue Fund	B-36	98
2013 School Bus Special Revenue Fund	B-37	99
NM Grown Fresh Fruits and Vegetables Special Revenue Fund	B-38	100
Next Generation Assessments Special Revenue Fund	B-39	101
School Library Material Fund FY 08 Special Revenue Fund	B-40	102
GEAR-UP CHE Special Revenue Fund	B-41	103
GRADS-Child Care Special Revenue Fund	B-42	104
GRADS-Instruction Special Revenue Fund	B-43	105
GRADS-Plus Special Revenue Fund	B-44	106
School Based Health Center Special Revenue Fund	B-45	107
 SUPPLEMENTARY INFORMATION	 <u>Statement</u>	 <u>Page</u>
Capital Projects Funds Descriptions		108
Combining Balance Sheet – Nonmajor Capital Projects Funds	C-1	109
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	C-2	110

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
FOR THE YEAR ENDED JUNE 30, 2015
TABLE OF CONTENTS

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Bond Building Capital Projects Fund	C-3	111
Public School Capital Outlay Capital Projects Fund	C-4	112
Capital Improvements SB-9 Capital Projects Fund	C-5	113
Debt Service Funds		
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual		
Debt Service Fund	D-3	114
OTHER SUPPLEMENTAL INFORMATION	<u>Schedule</u>	<u>Page</u>
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds	I	115
Schedule of Pledged Collateral	II	116
Schedule of Cash and Temporary Investment Accounts	III	117
Schedule of Cash Reconciliations	IV	118
Schedule of Joint Powers Agreements	V	122
Schedule of Vendor Information	VI	123
Schedule of Net Pension Liability	VII	124
Schedule of Pension Contributions	VIII	125
Notes to Required Supplementary Information	IX	126
COMPLIANCE SECTION	<u>Schedule</u>	<u>Page</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		127
FEDERAL FINANCIAL ASSISTANCE		
Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance		129
Schedule of Expenditures of Federal Awards	X	131
Schedule of Findings and Questioned Costs	XI	133
OTHER DISCLOSURES		160

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2015

<u>Name</u>		<u>Title</u>
	<u>School Board</u>	
Larry Lindberg		President
Tom Wisneski		Vice-President
Dolores “Lola” Quintana		Secretary
Larry B. Garley		Member
Max Cordova		Member
	<u>District Officials</u>	
Jennifer Brown		Interim Superintendent
George Perea		Director of Finance & Business

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Timothy Keller, New Mexico State Auditor
The Office of Management and Budget
And the Board of Education of
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 of Belen Consolidated School District No. 2, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's nonmajor governmental funds, fiduciary funds, and the budgetary comparisons for the major capital project fund, the 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, 2015 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and fiduciary fund of the District as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the major capital project 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. Management has provided the required GASB 68 schedules which are presented as Schedules VII through IX.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
November 13, 2015

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF NET POSITION
JUNE 30, 2015

Exhibit A-1

	Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 18,873,130
Receivables (net of allowance for uncollectibles)	3,025,715
Inventory	204,647
<i>Total current assets</i>	<u>22,103,492</u>
<i>Noncurrent assets</i>	
Bond discounts, net of amortization of \$44,838	9,115
Capital assets (net of accumulated depreciation):	
Land and land improvements	2,634,999
Buildings and building improvements	103,299,656
Furniture, fixtures and equipment	2,175,069
Vehicles	5,053,551
Construction in progress	2,410,795
Less: accumulated depreciation	(48,936,533)
<i>Total noncurrent assets</i>	<u>66,646,652</u>
DEFERRED OUTFLOWS OF RESOURCES	
Change in pension experience and proportion	<u>2,997,372</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 91,747,516</u>
LIABILITIES	
<i>Current liabilities</i>	
Accounts payable	\$ 682,795
Accrued payroll liabilities	1,463,047
Accrued interest payable	481,955
Unearned revenues	27,877
Current maturities of:	
Bonds payable	4,175,000
Compensated absences	333,473
<i>Total current liabilities</i>	<u>7,164,147</u>
<i>Noncurrent liabilities:</i>	
Bond premiums, net of amortization of \$309,131	471,244
Bonds payable	30,045,000
Compensated absences	-
Net Pension Liability	44,394,571
<i>Total noncurrent liabilities</i>	<u>74,910,815</u>
DEFERRED INFLOWS OF RESOURCES	
Change in pension experience and proportion	<u>6,066,775</u>
NET POSITION	
Net investment in capital assets	31,955,408
Restricted for:	
Debt service	6,441,753
Capital projects	11,107,854
Other purposes - special revenue	1,716,120
Unrestricted	(47,615,356)
<i>Total net position</i>	<u>3,605,779</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 91,747,516</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, 2015

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	\$ 11,309,433	\$ 288,475	\$ 4,293,780	\$ -	\$ (6,727,178)
Support services:					
Students	3,969,437	-	444,676	-	(3,524,761)
Instruction	956,360	-	37,943	-	(918,417)
General administration	1,513,312	-	-	-	(1,513,312)
School administration	1,797,707	-	-	-	(1,797,707)
Other	83,858	-	-	-	(83,858)
Central services	1,398,869	180,554	-	-	(1,218,315)
Operation & maintenance of plant	5,893,769	5,758	-	-	(5,888,011)
Student transportation	1,533,809	-	1,554,201	-	20,392
Food services operation	2,361,360	126,918	2,706,562	-	472,120
Community services	73,728	-	-	-	(73,728)
Interest on long-term debt	1,005,028	-	-	-	(1,005,028)
Facilities materials, supplies, & other services	13,509,013	-	-	462,991	(13,046,022)
Depreciation - unallocated	-	-	-	-	-
Total Primary Government	<u>\$ 45,405,683</u>	<u>\$ 601,705</u>	<u>\$ 9,037,162</u>	<u>\$ 462,991</u>	<u>(35,303,825)</u>
General Revenues:					
Property taxes:					
Levied for general purposes					
					195,538
Levied for debt service					
					3,774,574
Levied for capital projects					
					1,110,639
State Equalization Guarantee					
					29,971,920
Unrestricted investment earnings					
					5,876
Gain on disposal of fixed assets					
					4,801
Miscellaneous					
					419,001
Total general revenues					<u>35,482,349</u>
Change in net position					<u>178,524</u>
Net position - beginning of year					<u>51,290,618</u>
Restatement - change in accounting principle					<u>(47,863,363)</u>
Net position - beginning of year, restated					<u>3,427,255</u>
Net position - ending of year					<u>\$ 3,605,779</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, 2015

Exhibit B-1

	General Fund			
	Operational 11000	Transportation 13000	Instructional Materials 14000	Bond Building 31100
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 3,190,539	\$ -	\$ 110,166	\$ 7,836,061
Accounts receivable				
Taxes	84,360	-	-	-
Due from other governments	-	-	-	-
Interfund receivables	1,753,377	-	-	3,000,000
Inventory	103,321	-	-	-
<i>Total assets</i>	<u>5,131,597</u>	<u>-</u>	<u>110,166</u>	<u>10,836,061</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	281,330	13,495	-	329,254
Accrued payroll liabilities	1,184,005	60,367	-	-
Interfund payables	2,955,943	67,541	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>4,421,278</u>	<u>141,403</u>	<u>-</u>	<u>329,254</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	78,576	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>78,576</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	103,321	-	-	-
Restricted for:				
Transportation	-	-	-	-
Instructional materials	-	-	110,166	-
Grant mandates	-	-	-	-
Capital projects	-	-	-	10,506,807
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	528,422	(141,403)	-	-
<i>Total fund balances</i>	<u>631,743</u>	<u>(141,403)</u>	<u>110,166</u>	<u>10,506,807</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 5,131,597</u>	<u>\$ -</u>	<u>\$ 110,166</u>	<u>\$ 10,836,061</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, 2015

Exhibit B-1

	Debt Service 41000	Other Governmental Funds	Total Primary Government
ASSETS			
<i>Current assets:</i>			
Cash and temporary investments	\$ 5,286,629	\$ 2,449,735	\$ 18,873,130
Accounts receivable			
Taxes	1,155,124	426,458	1,665,942
Due from other governments	-	1,359,773	1,359,773
Interfund receivables	-	-	4,753,377
Inventory	-	101,326	204,647
<i>Total assets</i>	<u>6,441,753</u>	<u>4,337,292</u>	<u>26,856,869</u>
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	-	58,716	682,795
Accrued payroll liabilities	-	218,675	1,463,047
Interfund payables	-	1,729,893	4,753,377
Unearned revenue	-	27,877	27,877
<i>Total liabilities</i>	<u>-</u>	<u>2,035,161</u>	<u>6,927,096</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	1,017,293	390,558	1,486,427
Unavailable revenues - other	-	-	-
<i>Total deferred inflows of resources</i>	<u>1,017,293</u>	<u>390,558</u>	<u>1,486,427</u>
FUND BALANCES			
Nonspendable	-	101,326	204,647
Restricted for:			
Transportation	-	-	-
Instructional materials	-	-	110,166
Grant mandates	-	1,599,758	1,599,758
Capital projects	-	210,489	10,717,296
Debt service	5,424,460	-	5,424,460
Assigned	-	-	-
Unassigned	-	-	387,019
<i>Total fund balances</i>	<u>5,424,460</u>	<u>1,911,573</u>	<u>18,443,346</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 6,441,753</u>	<u>\$ 4,337,292</u>	<u>\$ 26,856,869</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, 2015

	Governmental Funds
<hr/>	
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Fund balances - total governmental funds	\$ 18,443,346
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	66,637,537
Contributions to the pension plan are expensed in the governmental funds but are deferred outflows for government-wide statements	2,997,372
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	1,486,427
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	9,115
Bond premiums net of accumulated amortization	(471,244)
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	(333,473)
Accrued interest payable	(481,955)
General obligation bonds	(34,220,000)
Net pension liability	(44,394,571)
Changes in pension actuarial experience, investment experience, and change in proportion are not recorded in the governmental funds but are recorded as deferred inflows for the government-wide statements:	
Actuarial experience	(661,323)
Investment experience	(4,035,667)
Change in proportion	(1,369,785)
	<hr/>
Net position - total governmental activities	<u><u>\$ 3,605,779</u></u>

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

STATE OF NEW MEXICO

Exhibit B-3

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	General Fund			Bond Building
	Operational 11000	Transportation 13000	Instructional Materials 14000	31100
<i>Revenues:</i>				
Property taxes	\$ 194,604	\$ -	\$ -	\$ -
State grants	29,971,920	1,487,676	291,983	-
Federal grants	3,438	-	-	-
Miscellaneous	420,364	-	-	-
Charges for services	234,470	-	-	-
Investment Income	285	-	-	3,961
<i>Total revenues</i>	<u>30,825,081</u>	<u>1,487,676</u>	<u>291,983</u>	<u>3,961</u>
<i>Expenditures:</i>				
Current:				
Instruction	17,405,663	-	211,052	-
Support services				
Students	3,044,542	-	-	-
Instruction	670,306	-	-	-
General administration	1,173,103	-	-	-
School administration	1,832,457	-	-	-
Central services	1,406,969	-	-	-
Operation & maintenance of plant	5,968,645	-	-	-
Student transportation	212,342	1,502,667	-	-
Other support services	83,858	-	-	-
Food services operations	-	-	-	-
Community service	74,027	-	-	-
Capital outlay	-	-	-	7,965,901
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>31,871,912</u>	<u>1,502,667</u>	<u>211,052</u>	<u>7,965,901</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,046,831)</u>	<u>(14,991)</u>	<u>80,931</u>	<u>(7,961,940)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	9,500,000
Bond underwriter premium	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,500,000</u>
<i>Net changes in fund balances</i>	<u>(1,046,831)</u>	<u>(14,991)</u>	<u>80,931</u>	<u>1,538,060</u>
<i>Fund balances - beginning of year</i>	1,678,574	(126,412)	29,235	8,968,747
<i>Prior period adjustment</i>	-	-	-	-
<i>Adjusted fund balance - beginning of year</i>	<u>1,678,574</u>	<u>(126,412)</u>	<u>29,235</u>	<u>8,968,747</u>
<i>Fund balances - end of year</i>	<u>\$ 631,743</u>	<u>\$ (141,403)</u>	<u>\$ 110,166</u>	<u>\$ 10,506,807</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, 2015

	Debt Service 41000	Other Governmental Funds	Total Primary Government
<i>Revenues:</i>			
Property taxes	\$ 4,226,320	\$ 1,101,048	\$ 5,521,972
State grants	-	1,886,739	33,638,318
Federal grants	-	5,833,755	5,837,193
Miscellaneous	-	-	420,364
Charges for services	-	367,235	601,705
Investment Income	1,144	486	5,876
<i>Total revenues</i>	<u>4,227,464</u>	<u>9,189,263</u>	<u>46,025,428</u>
<i>Expenditures:</i>			
Current:			
Instruction	-	2,770,714	20,387,429
Support services			
Students	-	1,000,206	4,044,748
Instruction	-	316,046	986,352
General administration	42,583	311,522	1,527,208
School administration	-	11,324	1,843,781
Central services	-	8,020	1,414,989
Operation & maintenance of plant	-	11,073	5,979,718
Student transportation	-	395,431	2,110,440
Other support services	-	-	83,858
Food services operations	-	2,710,998	2,710,998
Community service	-	-	74,027
Capital outlay	-	1,642,874	9,608,775
Debt service			
Principal	6,545,000	-	6,545,000
Interest	1,005,028	-	1,005,028
Bond issuance costs	63,076	-	63,076
<i>Total expenditures</i>	<u>7,655,687</u>	<u>9,178,208</u>	<u>58,385,427</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(3,428,223)</u>	<u>11,055</u>	<u>(12,359,999)</u>
<i>Other financing sources (uses):</i>			
Operating transfers	-	-	-
Proceeds from bond issues	-	-	9,500,000
Bond underwriter premium	346,810	-	346,810
<i>Total other financing sources (uses)</i>	<u>346,810</u>	<u>-</u>	<u>9,846,810</u>
<i>Net changes in fund balances</i>	<u>(3,081,413)</u>	<u>11,055</u>	<u>(2,513,189)</u>
<i>Fund balances - beginning of year</i>	8,505,873	1,900,518	20,956,535
<i>Prior period adjustment</i>	-	-	-
<i>Adjusted fund balance - beginning of year</i>	<u>8,505,873</u>	<u>1,900,518</u>	<u>20,956,535</u>
<i>Fund balances - end of year</i>	<u>\$ 5,424,460</u>	<u>\$ 1,911,573</u>	<u>\$ 18,443,346</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, 2015

Governmental
Funds

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

Net change in fund balances - total governmental funds \$ (2,513,189)

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	(2,420,759)
Capital Outlays	8,361,485

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	(441,221)
---	-----------

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	(4,374)
Amortization of bond premium	51,908
Decrease in accrued compensated absences	78,657
Increase in accrued interest payable	(31,562)
Principal payments on bonds	6,545,000
Proceeds from bond sale	(9,500,000)
Premium on bond sale	(346,810)
Pension contributions - current year	2,997,372
Pension expense	(2,597,983)

Change in net position - total governmental activities	\$ 178,524
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Exhibit C-1

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, 2015

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ 189,931	\$ 189,931	\$ 196,000	\$ 6,069
State grants	29,939,360	29,972,189	29,971,920	(269)
Federal grants	-	-	3,438	3,438
Miscellaneous	143,966	143,966	420,364	276,398
Charges for services	267,104	267,104	234,470	(32,634)
Interest	511	511	285	(226)
<i>Total revenues</i>	<u>30,540,872</u>	<u>30,573,701</u>	<u>30,826,477</u>	<u>252,776</u>
<i>Expenditures:</i>				
Current:				
Instruction	17,934,006	17,934,006	17,473,689	460,317
Support services				
Students	3,257,390	3,257,390	3,044,542	212,848
Instruction	660,052	660,052	657,552	2,500
General administration	1,138,892	1,138,892	1,138,874	18
School administration	1,832,562	1,832,562	1,832,245	317
Central services	1,402,338	1,402,338	1,401,859	479
Operation & maintenance of plant	5,806,580	5,806,580	6,076,364	(269,784)
Student transportation	179,927	212,756	212,342	414
Other support services	83,792	83,792	83,792	-
Food services operations	-	-	-	-
Community services	74,130	74,130	74,027	103
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>32,369,669</u>	<u>32,402,498</u>	<u>31,995,286</u>	<u>407,212</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,828,797)</u>	<u>(1,828,797)</u>	<u>(1,168,809)</u>	<u>659,988</u>
<i>Other financing sources (uses):</i>				
Designated cash	1,828,797	1,828,797	-	(1,828,797)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,828,797</u>	<u>1,828,797</u>	<u>-</u>	<u>(1,828,797)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(1,168,809)</u>	<u>(1,168,809)</u>
<i>Cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,156,782</u>	<u>3,156,782</u>
Prior period adjustments	-	-	0	-
<i>Adjusted cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,156,782</u>	<u>3,156,782</u>
<i>Cash or fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,987,973</u>	<u>\$ 1,987,973</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (1,168,809)	
Adjustments to revenues			(1,396)	
Adjustments to expenditures			123,374	
Net change in fund balance (GAAP basis)			<u>\$ (1,046,831)</u>	

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

STATE OF NEW MEXICO

Exhibit C-2

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, 2015

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	1,472,736	1,487,676	1,487,676	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>1,472,736</u>	<u>1,487,676</u>	<u>1,487,676</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	1,472,736	1,487,676	1,494,372	(6,696)
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,472,736</u>	<u>1,487,676</u>	<u>1,494,372</u>	<u>(6,696)</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(6,696)</u>	<u>(6,696)</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>(6,696)</u>	<u>(6,696)</u>
<i>Cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(60,845)</u>	<u>(60,845)</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(60,845)</u>	<u>(60,845)</u>
<i>Cash or fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (67,541)</u>	<u>\$ (67,541)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ (6,696)	
Adjustments to revenues			-	
Adjustments to expenditures			(8,295)	
Net change in fund balance (GAAP basis)			<u>\$ (14,991)</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, 2015

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	211,785	291,983	291,983	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>211,785</u>	<u>291,983</u>	<u>291,983</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	245,818	326,016	231,433	94,583
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>245,818</u>	<u>326,016</u>	<u>231,433</u>	<u>94,583</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(34,033)</u>	<u>(34,033)</u>	<u>60,550</u>	<u>94,583</u>
<i>Other financing sources (uses):</i>				
Designated cash	34,033	34,033	-	(34,033)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>34,033</u>	<u>34,033</u>	<u>-</u>	<u>(34,033)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>60,550</u>	<u>60,550</u>
<i>Cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>49,616</u>	<u>49,616</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>49,616</u>	<u>49,616</u>
<i>Cash or fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,166</u>	<u>\$ 110,166</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ 60,550	
Adjustments to revenues			-	
Adjustments to expenditures			20,381	
Net change in fund balance (GAAP basis)			<u>\$ 80,931</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, 2015

Exhibit D-1

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	<u>\$ 362,656</u>
<i>Total assets</i>	<u><u> 362,656</u></u>
 LIABILITIES	
<i>Current Liabilities</i>	
Current payables	29,973
Deposits held in trust for others	<u>332,683</u>
<i>Total liabilities</i>	<u><u>\$ 362,656</u></u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

A. Financial Reporting Entity

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

The basis, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. 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, 2015

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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

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

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

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

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

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

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

The *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, 2015

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

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

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

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

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

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

The *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.

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

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

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

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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 2015 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2015.

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

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

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2015.

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

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 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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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.

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

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.

Deferred Outflows of Resources – Subsequent Employer Contributions – Pensions: The government-wide financial statements report pension related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2015. Contributions made by the District in the current fiscal year are thus applicable to a future reporting period where they will then be expensed. As such, they are presented in the Statement of Net Position as a deferred outflow of resources in the current period.

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 the corresponding unavailable revenue is recorded as well.

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies - (Continued)

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

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:

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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

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.

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 \$29,971,920 in state equalization guarantee distributions during the year ended June 30, 2015.

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

E. Revenues - (continued)

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, 2015 were \$5,080,751. 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 \$1,487,676 in transportation distributions during the year ended June 30, 2015.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education “State Adopted Instructional Material” list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2015 totaled \$291,983.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The District received - in state SB-9 matching during the year ended June 30, 2015.

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

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

During the year ended June 30, 2015, the District received - 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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 Summary of Significant Accounting Policies - (Continued)

F. Revenues - (continued)

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.

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 Stewardship, Compliance and Accountability – (Continued)

Budgetary Information – (Continued)

6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

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

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2015, is presented on each funds' Statement of Revenue, Expenditures and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual.

NOTE 3 Cash and Cash Equivalents

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

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

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 Cash and Cash Equivalents (Continued)

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.

	US Bank	Wells Fargo Bank	Wells Fargo Repo Agreement	Total
Total amounts of deposits	\$ 14,914,237	\$ 2,752,864	\$ 2,047,083	\$ 19,714,184
FDIC coverage	250,000	250,000	-	500,000
Total uninsured public funds	<u>14,664,237</u>	<u>2,502,864</u>	<u>2,047,083</u>	<u>19,214,184</u>
Collateral requirement (50% of uninsured public funds)	7,332,119	1,251,432		9,607,092
Collateral requirement (102% of uninsured public funds)			2,088,025	2,088,025
Pledged security	<u>18,305,492</u>	<u>1,672,472</u>	<u>\$ 2,088,025</u>	<u>\$ 22,065,989</u>
Total over (under) collateralized	<u>\$ 10,973,373</u>	<u>\$ 421,040</u>	<u>\$ -</u>	<u>\$ 12,458,897</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, 2015, \$19,214,184 of the District's bank balance of \$19,714,184 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's collateral is held by itself in Cincinnati.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 Cash and Cash Equivalents (Continued)

Reconciliation of Cash to the Financial Statements

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

Reconciliation to Statement of Net Position

Governmental Funds - Balance Sheet

Cash and cash equivalents per Exhibit A-1	18,873,130
Statement of Fiduciary Net Position - cash per Exhibit D-1	<u>362,656</u>
Total per financial statements	19,235,786
Less petty cash	(1,875)
Add outstanding checks and other reconciling items	<u>480,273</u>
Bank balance of deposits	<u><u>\$ 19,714,184</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, 2015. Funds 24000 through 25000 are federal funds and 13000, 22000, and 27000 through 28000 funds are non-federal funds. The following individual funds had negative cash balances as of June 30, 2015:

Fund #	Special Revenue Funds:	
13000	Student Transportation	\$ 67,541
22000	Athletics	31,823
24101	Title I IASA	582,654
24106	IDEA-B Entitlement	516,014
24107	IDEA-B Discretionary	5,040
24109	IDEA-B Preschool	1,291
24113	Education of the Homeless	9,238
24118	Fresh Fruits and Vegetables	19,243
24120	IDEA-B "Risk Pool"	587
24153	English Language Acquisition	32,259
24154	Teacher/Principal Training & Recruiting	67,274
24162	Title I School Improvement	53,148
24174	Carl D. Perkins - Secondary - Current	31,442
24175	Carl D. Perkins - Secondary - PY Unliq. Oblig.	472
24183	Carl D Perkins Secondary - Redistribution 2	8,043
27107	2012 GO Bonds Student Library Fund (SB66)	33,626
27114	New Mexico Reads to Lead K-3 Reading Initiative	27,456
27139	Truancy Prevention/Intervention	612
27149	PreK Initiative	15,641
27166	Kindergarten - Three Plus	3,653
27183	NM Grown Fresh Fruits and Vegetables	6,791
28189	GRADS - Child Care	6,364
28190	GRADS - Plus	<u>16,182</u>
	Total	<u><u>\$ 1,536,394</u></u>

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 Receivables

Receivables as of June 30, 2015 are as follows:

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>Operational</u>	<u>Debt</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>11000</u>	<u>Service</u>	<u>Funds</u>	<u>Funds</u>
	<u>11000</u>	<u>41000</u>	<u>Funds</u>	<u>Funds</u>
Property taxes	\$ 84,360	\$ 1,155,124	426,458	\$ 1,665,942
Due from other governments	-	-	1,359,773	1,359,773
Total receivables	<u>\$ 84,360</u>	<u>\$ 1,155,124</u>	<u>\$1,786,231</u>	<u>\$ 3,025,715</u>

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax revenues in the amount of \$1,486,427 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, 2015

NOTE 5 Interfund Receivables, Payables, and Transfers

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

Governmental Activities	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Operational (11000)	\$ 1,753,377	\$ 2,955,943
Student Transportation (13000)	-	67,541
Bond Building (31100)	3,000,000	-
Non-major Funds:		
Athletics (212000)	-	50,000
Title I IASA (24101)	-	582,654
IDEA B Entitlement (24106)	-	516,014
IDEA B Discretionary (24107)	-	5,040
IDEA B Preschool (24109)	-	1,291
Education of the Homeless (24113)	-	9,238
Fresh Fruits and Vegetables (24118)	-	19,243
IDEA B Risk Pool (24120)	-	587
English Language Acquisition (24153)	-	32,259
Teacher/Principal Training & Recruiting (24154)	-	67,274
Title I School Improvement (24162)	-	53,148
Carl D Perkins - Secondary - Current (24174)	-	31,442
Carl D Perkins Secondary - PY Unliq. Obligations (24175)	-	472
Carl D Perkins Secondary - Redistribution 2 (24183)	-	8,043
2012 GO Bonds Student Library Fund (SB66) (27107)	-	33,626
NM Reads to Lead K-3 Initiative (27114)	-	27,456
Truancy Prevention/Intervention (27139)	-	612
PreK Initiative (27149)	-	15,641
Kindergarten - Three Plus (27166)	-	3,653
NM Grown Fresh Fruits and Vegetables (27183)	-	6,791
GRADS - Child Care (28189)	-	6,364
GRADS - Instruction (28190)	-	16,182
Capital Improvements SB-9 (31700)	-	242,863
Totals	<u><u>\$ 4,753,377</u></u>	<u><u>\$ 4,753,377</u></u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2015 follows. Land and construction in progress is not subject to depreciation.

	Balance June 30, 2014	Additions	Deletions	Adjustments	Balance June 30, 2015
Capital assets used in governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,375,944	\$ 259,055	\$ -	\$ -	\$ 2,634,999
Construction in progress	4,254,699	7,400,734	(9,244,638)	-	2,410,795
Total capital assets not being depreciated	<u>6,630,643</u>	<u>7,659,789</u>	<u>(9,244,638)</u>	<u>-</u>	<u>5,045,794</u>
Capital assets being depreciated:					
Land improvements	-	-	-	-	-
Buildings and building improvements	94,055,018	9,244,638	-	-	103,299,656
Furniture, fixtures, and equipment	2,115,912	140,919	(81,762)	-	2,175,069
Vehicles	4,694,407	560,777	(201,633)	-	5,053,551
Total capital assets being depreciated	<u>100,865,337</u>	<u>9,946,334</u>	<u>(283,395)</u>	<u>-</u>	<u>110,528,276</u>
Less accumulated depreciation:					
Land improvements	-	-	-	-	-
Buildings and building improvements	41,492,816	1,990,435	-	-	43,483,251
Furniture, fixtures, and equipment	1,400,083	124,416	(81,762)	-	1,442,737
Vehicles	3,906,270	305,908	(201,633)	-	4,010,545
Total accumulated depreciation	<u>46,799,169</u>	<u>2,420,759</u>	<u>(283,395)</u>	<u>-</u>	<u>48,936,533</u>
Total capital assets, net of depreciation	<u>\$ 60,696,811</u>	<u>\$ 15,185,364</u>	<u>\$ (9,244,638)</u>	<u>\$ -</u>	<u>\$ 66,637,537</u>

Depreciation expense for the year ended June 30, 2015 was charged to governmental activities as follows:

Governmental activities:	
Instruction	\$ 1,985,022
Support services - students	24,208
Support services - instruction	24,208
School administration	48,415
Operation and maintenance of plant	48,415
Student transportation	266,283
Food services	24,208
Total depreciation	<u>\$ 2,420,759</u>

Construction commitments:

The current construction in progress had a remaining commitment of approximately \$477,000 for completion at June 30, 2015.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 Long-Term Debt

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

	Balance at 06/30/14	Additions	Deletions	Balance at 06/30/15	Due Within One Year
General Obligation Bonds	\$ 31,265,000	\$9,500,000	\$ 6,545,000	\$ 34,220,000	\$ 3,095,000
Compensated Absences	412,130	283,689	362,346	333,473	333,473
Total	<u>\$ 31,677,130</u>	<u>\$9,783,689</u>	<u>\$ 6,907,346</u>	<u>\$ 34,553,473</u>	<u>\$ 3,428,473</u>

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2015, compensated absences decreased \$60,485 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, 2015, all general obligation bonds are for governmental activities.

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

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

	Series 2005 GO Bonds 3/29/2005	Series 2007 GO Bonds 11/27/2007	Series 2008 GO Bonds 12/2/2008
Issue Date			
Original Issue	\$9,620,000	\$8,000,000	\$5,000,000
Maturity Date	8/1/2017	8/1/2022	8/1/2022
Principal	1-Aug	1-Aug	1-Aug
Interest Rate	3.25% - 5.00%	3.65% - 5.00%	4.00% - 5.00%
Principal/Interest	1-Aug	1-Aug	1-Aug
Interest	1-Feb	1-Feb	1-Feb
	Series 2009 GO Bonds 11/24/2009	Series 2013 GO Bonds 9/17/2013	Series 2014 GO Bonds 12/30/2014
Issue Date			
Original Issue	\$4,605,000	\$13,250,000	\$9,500,000
Maturity Date	8/1/2019	8/1/2027	8/1/2026
Principal	1-Aug	1-Aug	1-Aug
Interest Rate	2.00% - 4.00%	2.00%-4.00%	2.00%-3.00%
Principal/Interest	1-Aug	1-Aug	1-Aug
Interest	1-Feb	1-Feb	1-Feb

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 Long-Term Debt – (Continued)

GO Bonds Series 2005			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 400,000	\$ 42,500	\$ 442,499.50
2017	400,000	25,500	425,500
2018	400,000	8,500	408,500
Totals	<u>\$ 1,200,000</u>	<u>\$ 76,500</u>	<u>\$ 1,276,500</u>

GO Bonds Series 2007			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 350,000	\$ 244,900	\$ 594,900.00
2017	200,000	232,150	432,150
2018	250,000	223,150	473,150
2019	800,000	203,550	1,003,550
2020	1,300,000	164,900	1,464,900
2021-2025	3,700,000	231,525	3,931,525
Totals	<u>\$ 6,600,000</u>	<u>\$ 1,300,175</u>	<u>\$ 7,900,175</u>

GO Bonds Series 2009			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 395,000	\$ 53,425	\$ 448,425.00
2017	390,000	41,650	431,650
2018	460,000	28,900	488,900
2019	400,000	14,000	414,000
2020	150,000	3,000	153,000
Totals	<u>\$ 1,795,000</u>	<u>\$ 140,975</u>	<u>\$ 1,935,975</u>

GO Bonds Series 2013			
Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 500,000	\$ 343,938	\$ 843,938
2017	500,000	333,937	833,937
2018	500,000	323,938	823,938
2019	500,000	313,937	813,937
2020	600,000	299,938	899,938
2021-2025	4,600,000	1,180,218	5,780,218
2026-2029	3,875,000	230,750	4,105,750
Totals	<u>\$ 11,075,000</u>	<u>\$ 3,026,656</u>	<u>\$ 14,101,655</u>

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 Long-Term Debt - (Continued)

Fiscal Year Ending June 30,	GO Bonds Series 2014		Total Debt Service
	Principal	Interest	
0	\$ 1,092,990	\$ 237,527	\$ 1,330,517.43
0	992,062	196,625	1,188,687
0	915,938	181,125	1,097,063
0	831,437	169,125	1,000,562
0	735,038	160,625	895,663
0	2,216,443	661,188	2,877,631
0	302,750	72,000	374,750
Totals	<u>\$ 7,086,658</u>	<u>\$ 1,678,215</u>	<u>\$ 8,764,873</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, 2015:

Fund #	Fund Description	Amount
24113	Education of the Homeless	\$ 912
24118	Fresh Fruits and Vegetables	438
24157	Safe & Drug Free Schools & Community	205
24167	Reading First	12,138
24176	Carl D Perkins Secondary - Redistribution - Instruction	2,218
25149	GRADS Child Care CYFD	3,000
25162	TANF/GRADS HSD	8,966
	Total	<u>\$ 27,877</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.

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.

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 Risk Management (Continued)

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

NOTE 10. Other Required Individual Fund Disclosures

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

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

Fund #	Major Funds	Amount
13000	Student Transportation	141,403
	Non-Major Funds	
22000	Athletics	31,849
24101	Title I IASA	68,616
24106	IDEA-B Entitlement	11,998
24107	IDEA-B Discretionary	5,040
24109	IDEA-B Preschool	1,291
24113	Education of the Homeless	29
24118	Fresh Fruits and Vegetables	12,055
24153	English Language Acquisition	31,265
24154	Teacher/Principal Training & Recruiting	32,015
24162	Title I School Improvement	53,148
24174	Carl D Perkins Secondary - Current	548
24175	Carl D Perkins Secondary - PY Unliq. Oblig.	472
25162	TANF/GRADS HSD	3,300
27107	2012 GO Bonds Student Library Fund (SB66)	33,626
27114	New Mexico Reads to Lead K-3 Reading	34,834
27139	Truancy Prevention/Intervention	612
27166	Kindergarten - Three Plus	3,653
27183	NM Grown Fresh Fruits and Vegetables	581
28189	GRADS - Child Care	6,364
28190	GRADS - Instruction	16,182
	Total	\$ 466,335

B. Excess of expenditures over appropriations: The District had one fund which reported expenditures over appropriations.

Fund #	Fund Name and Function	Amount
11000	Operational - Operations & Maintenance of Plant	\$ 269,784
13000	Student Transportation - Student Transportation	6,696
22000	Athletics - Instruction	11,435
24109	IDEA-B Preschool - Student Transportation	201
24176	Carl D Perkins Secondary - Redistribution - Instruction	413
25157	Child Care Block Grant - Instruction	13,485
	Total	\$ 302,014

C. One fund had designated cash appropriations in excess of available balances for the year ended June 30, 2015. The Bond Building Fund had designated cash of \$12,142,769 and available cash of \$10,260,971.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

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

Contributions. The contribution requirements of defined benefit plan members and the Belen Consolidated School District No. 2 are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Belen Consolidated School District No. 2 were \$2,997,046 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the Belen Consolidated School District No. 2's reported a liability of \$44,394,571 for its proportionate share of the net pension liability. The Belen Consolidated School District No. 2's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the Belen Consolidated School District No. 2's proportion was 0.77807%, which was a decrease of 0.02940% from its proportion measured as June 30, 2013.

For the year ended June 30, 2015, the Belen Consolidated School District No. 2 recognized pension expense of \$2,599,706. At June 30, 2015, the Belen Consolidated School District No. 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net (Inflows) Outflows
Differences between expected and actuarial experience	\$ -	\$ (661,323)	\$ (661,323)
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(4,035,667)	(4,035,667)
Changes in proportion and differences between Belen Consolidated Schools' contributions and proportionate share of contributions	-	(1,369,785)	(1,369,785)
Belen Consolidated Schools' contributions subsequent to the measurement date	2,997,046	-	2,997,046
Total	<u>\$ 2,997,046</u>	<u>\$ (6,066,775)</u>	<u>\$ (3,069,729)</u>

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

Deferred outflows of resources of related to pensions resulting from Belen Consolidated School District No. 2's contributions subsequent to the measurement date of June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$ 1,714,164
2017	1,714,164
2018	1,629,535
2019	1,008,912
2020	-
Thereafter	-
Total	<u>\$ 6,066,775</u>

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

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates

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

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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

Sensitivity of the Belen Consolidated School District No. 2's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease	Current	1% Increase
	(6.75%)	Discount Rate	(8.75%)
	(6.75%)	(7.75%)	(8.75%)
Belen Consolidated School District No. 2's			
proportionate share of the net pension liability	\$ 60,403,936	\$ 44,394,573	\$ 31,022,378

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

Payables to the pension plan. Belen Consolidated School District No. 2 had an outstanding liability to the pension plan at June 30, 2015 of \$952,584 which it paid on July 15, 2015.

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.

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 **Post-Employment Benefits – State Retiree Health Care Plan (Continued)**

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, 2015, 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, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2015, June 30, 2014, and June 30, 2013 are \$433,673, \$430,473, and \$435,571, respectively, which equal the required contributions for each year.

NOTE 13 **Contingent Liabilities**

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

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

NOTE 14 **Subsequent Accounting Standard Pronouncements**

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

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14 **Subsequent Accounting Standard Pronouncements**

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

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

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

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

NOTE 15 **Restatement/Prior Period Adjustments**

During the year ended June 30, 2015, there was a restatement in the District's financial statements due to the implementation of GASB 68 and GASB 71 resulting in a reduction in net position in the amount of \$47,863,363. This amount was derived from the District's proportionate share of the beginning net pension liability of \$50,683,699 less the 2014 contributions to the pension plan in the amount of \$2,820,336.

NOTE 16 **Subsequent Events**

A review of subsequent events through November 13, 2015 is the date the financial statements were available to be issued, indicated nothing of audit significance other than those disclosed below:

The Board of Education has approved the refunding of \$6,250,000 of existing bonds.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

FORM OF BOND COUNSEL OPINION

_____, 2016

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 \$8,760,000 General Obligation School Building Bonds, Series 2016A and General Obligation Refunding Bonds, Series 2016B (the "Bonds"), dated _____, 2016, with interest payable on February 1, 2017, 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 2017 through 2030.

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

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 School Building Bonds, Series 2016A and General Obligation Refunding Bonds, Series 2016B (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District adopted on August 9, 2016 (the "Resolution"). Pursuant to the Resolution, to allow the underwriters of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) "Annual Financial Information" means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB")) 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 - Debt Outstanding," "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 August 9, 2016, 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: September 13, 2016

BOARD OF EDUCATION OF BELEN
CONSOLIDATED SCHOOL DISTRICT NO. 2

By _____
President

[SEAL]

ATTEST:

Secretary

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