

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 5, 2014**

**NEW ISSUE**

Book-Entry-Only

**RATING:** Moody's Rating Requested

\$1,500,000

ALAMOGORDO MUNICIPAL SCHOOL DISTRICT NO. 1

Otero County, New Mexico

Education Technology

General Obligation Lease-Purchase

Certificates of Participation

Series 2014A

**Dated:** Date of Delivery

Due: August 1, as detailed below.

*The delivery of the Certificates is subject to the opinions of Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P., Co-Special Counsel. On the initial date of delivery of the Certificates, McCall, Parkhurst & Horton L.L.P. will render its opinion that, under existing laws, regulations, rulings, and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the component of each Rent Payment designated as interest under the Lease is excluded from the gross income of the holders of the Certificates for federal income tax purposes, as the case may be, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on corporations. Also on the initial date of delivery of the Certificates, Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P., Co-Special Counsel, will render their opinions that interest on the Certificates is excluded from net income for purposes of New Mexico state income tax under existing law. The Lease underlying the Certificates will be designated as "qualified tax-exempt obligations" for purposes of certain financial institutions.*

The Education Technology General Obligation Lease-Purchase Certificates of Participation (the "Certificates") are to be executed and delivered pursuant to a Trust Indenture dated as of the closing date (the "Indenture"), between The New Mexico Public Schools Education Technology Assistance Foundation, LLC (the "Lessor") and BOKF, N.A. dba Bank of Albuquerque, Albuquerque, New Mexico, as trustee (the "Trustee"). The Certificates represent undivided interests in the rental payment (the "Rent Payment") to be made by the Alamogordo Municipal School District No. 1 (the "District") to the Lessor, pursuant to a certain Lease-Purchase Agreement (the "Lease") dated as of the closing date. The Lessor has assigned all rights under the Lease, including the right to receive the Rent Payment, to the Trustee for the benefit of the owners of the Certificates. The Lease provides for the District to use and acquire certain computer equipment and related personal property.

The Certificates will be issued in fully registered form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, the securities depository for the Certificates, to which principal and interest payments on the Certificates will be made by the Trustee. Individual purchases will be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers of the Certificates will not receive physical delivery of certificates. (See "THE CERTIFICATES; Book-Entry-Only System.") Interest on the Certificates are payable on February 1 and August 1, commencing February 1, 2015, by the Trustee. The Certificates are not subject to redemption prior to maturity.

**MATURITY SCHEDULE**

<b>Due (8/1)</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP<sup>1</sup></b>
2015	\$ 20,000			
2016	125,000			
2017	200,000			
2018	555,000			
2019	600,000			

The District will levy ad valorem taxes sufficient to make the Rent Payment and such taxes may be levied against all taxable property within the District without limitation as to rate or amount. The obligation of the District to make the rent payment is not subject to annual appropriation. Further information regarding the Certificates is set forth in this Official Statement.

The Certificates are offered when, as and if issued, subject to the approval of legality by Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P., Co-Special Counsel. Certain other legal matters will also be passed upon by Cuddy & McCarthy, LLP. It is anticipated that the Certificates will be available for delivery through The Depository Trust Company, New York, New York, on October 21, 2014.

<sup>1</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The District, the Registrar/Paying Agent and the Financial Advisor are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

**ALAMOGORDO MUNICIPAL SCHOOL DISTRICT NO. 1**

PO Box 650  
Alamogordo, New Mexico 88311-0650  
(575) 812-6000

**BOARD OF EDUCATION**

Steve Jaszai, President  
David Weaver, Vice President  
David Borunda, Secretary  
David Ceballes, Member  
Dr. Allan Rickman, Member

**DISTRICT ADMINISTRATION**

Adrianne Salas, Superintendent  
Carol Genest, Director of Business and Finance  
J. Vance Lee, Director of Support Services

**LESSOR**

The New Mexico Public Schools Education Technology Assistance Foundation, LLC  
Santa Fe, New Mexico

**CO-SPECIAL COUNSEL**

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**TRUSTEE**

BOKF, N.A. dba Bank of Albuquerque  
Corporate Trust Department  
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Albuquerque, NM 87102  
(505) 222-8447

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## USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement has been prepared by Casey Financial Consulting as Financial Advisor to the Alamogordo Municipal School District No. 1, Otero County, New Mexico (the "District"). The information contained in this Official Statement has been obtained from the District, from annual audits performed for the District, and from other sources deemed reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information; and nothing contained herein is, or shall be, relied upon as a promise or representation of the District or the Financial Advisor on these Certificates. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this official statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

FOR PURPOSES OF COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES EXCHANGE COMMISSION, THIS DOCUMENT CONSTITUTES AN OFFICIAL STATEMENT OF THE DISTRICT WITH RESPECT TO THE OBLIGATIONS THAT HAVE BEEN DEEMED "FINAL" BY THE DISTRICT AS OF ITS DATE EXCEPT FOR THE OMISSION OF NO MORE THAN THE INFORMATION PERMITTED BY RULE 15c2-12.

Co-Special Counsel, Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P., Austin, Texas, were not asked and did not take part in the preparation of the Official Statement nor have such firms undertaken to independently verify any of the information contained herein. Except as discussed in "LEGAL MATTERS" herein, such firms have no responsibility for the accuracy or completeness of any information furnished in connection with any offer or sale of the Certificates in the Official Statement or otherwise.

All terms used in this Official Statement which are not defined herein shall have the meanings given such terms in the resolution authorizing issuance of the Certificates to be adopted by the Board of Education of the District (the "Board") on September 17, 2014 (the "Certificate Resolution"), the Lease and the Indenture.

**THE PRICES OR YIELDS AT WHICH THE CERTIFICATES ARE OFFERED TO THE PUBLIC BY THE INITIAL PURCHASER MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER OF THIS OFFICIAL STATEMENT.**

## INTRODUCTION

This Official Statement is furnished to prospective purchasers of Alamogordo Municipal School District No. 1, Otero County, New Mexico (the "District"), General Obligation, Education Technology Lease-Purchase Certificates of Participation, Series 2014A (the "Certificates") issued in the aggregate principal amount of \$1,500,000. The offering of the Certificates is made only by way of this Official Statement and the Certificate Resolution dated September 17, 2014, which supersedes any other information or materials used in connection with the offer or sale of the Certificates.

<b>The Lessee</b>	The District is a political subdivision of the state of New Mexico (the "State") organized for the purpose of operating and maintaining an educational program within its boundaries.
<b>The Lessor</b>	The New Mexico Public Schools Education Technology Assistance Foundation, LLC, Santa Fe, New Mexico.
<b>The Trustee</b>	BOKF, N.A. dba the Bank of Albuquerque, Albuquerque, New Mexico.
<b>The Certificates</b>	The Certificates represent undivided interests in the rental payments to be made by the Alamogordo Municipal School District No. 1 to the Lessor pursuant to a certain Lease Agreement (the "Lease") dated as of the date of closing, expected to be October 21, 2014.
<b>Security</b>	The District will levy ad valorem taxes sufficient to make the Rent Payments and such taxes may be levied against all taxable property within the District without limitation as to rate or amount. The obligation of the District to make the rent payments is not subject to annual appropriation.
<b>Purpose</b>	The Certificates are being issued to enable the District to lease-purchase certain computer equipment and related personal property and to pay the costs related to the financing.
<b>Authorization</b>	The Lease and the Certificates were authorized by the Board of Education of the District on September 17, 2014.
<b>Prior Redemption</b>	The Certificates are not subject to redemption prior to their stated maturities.
<b>Compliance</b>	The District will comply with the continuing disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE UNDERTAKING" herein for more details.

### Summary of Key Financial Information:

Assessed Valuation (33 1/3% Assessment Ratio)	\$743,989,450
Estimated Actual Valuation	\$2,345,959,201
Total Direct Debt (including the Certificates)	\$31,415,000
District Direct Debt as a Percentage of:	
Assessed Valuation	4.22%
Estimated Actual Valuation	1.34%
Estimated Direct & Overlapping General Obligation Debt	\$45,739,384
Direct and Overlapping Debt as a Percentage of:	
Assessed Valuation	6.15%
Estimated Actual Valuation	1.95%
Estimated Population	41,000
District Net Debt Per Capita	\$766.22
Direct and Overlapping Debt Per Capita	\$1,115.59
Assessed Valuation per Capita	\$18,146

## **INTRODUCTORY STATEMENT**

All financial and other information regarding the Alamogordo Municipal School District No. 1 (the "District" or "Lessee") presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipt from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will continue or be repeated in the future.

### **THE LESSEE**

The Lessee is a political subdivision of the State of New Mexico and is located in Otero County. The District had total student enrollment for the 2013-2014 school year of 6,431.

### **THE LESSOR**

The District has entered into a Lease Agreement, dated as of October 21, 2014 (the "Lease"), with The Public Schools Education Technology Assistance Foundation, LLC (the "Lessor") for the purpose of acquiring certain education Technology equipment, pursuant to the Education Technology Equipment Act, NMSA 1978, Sections 6-15A-1 through 6-15A-16, as amended (the "Act"). The Lessor is a New Mexico limited liability company, incorporated in April 2000 for the limited purpose of assisting New Mexico public school districts in acquiring, through lease-purchase arrangements, education technology equipment under the Act.

Other than funds received from the District representing the Rent Payments, which have been irrevocably assigned by the Lessor to the BOKF, N.A. dba Bank of Albuquerque, N.A., Albuquerque, New Mexico, as trustee (the "Trustee"), pursuant to a Trust Indenture to be dated as of the closing date, (the "Indenture") among the Trustee, the Lessor and the District, for the benefit of the registered owners of the Certificates (the "Owners"), the Lessor is not obligated to, and shall not, make any payment on the Certificates or pursuant to the Lease. The Lessor's Certificate of Organization and the Lease restrict the activities of the Lessor to assisting New Mexico public school districts in acquiring, through lease-purchase arrangements, education technology equipment under the Act. As a result, the Lessor does not expect to have any material revenues or operating expenses. The ability of the Lessor to perform under the Lease and the Indenture may be limited by laws applicable to the Lessor relating to bankruptcy, reorganization and other matters affecting creditor's rights and general equitable powers of courts.

### **THE TRUSTEE**

BOKF, N.A. dba Bank of Albuquerque, Albuquerque, New Mexico, a national banking association organized under the laws of the United States of America, is the Trustee under the Indenture, pursuant to which the Certificates are issued.

The Trustee is not liable in connection with the performance of its duties under the Indenture except for its own negligence and willful misconduct. The Trustee may resign at any time upon providing notice of resignation to the District and the Lessor, provided that such resignation shall become effective only upon the appointment of a successor trustee. A bank or trust company authorized to provide corporate trust services having a combined capital (exclusive of borrowed capital) and surplus aggregating at least \$25,000,000 may be substituted as Trustee under the Indenture.

## **THE CERTIFICATES**

### **Description**

The Certificates are to be issued in the total principal amount of \$1,500,000, are dated as of the Date of Delivery and will mature on August 1 of each year as shown on the cover of this Official Statement. The Certificates are issued as fully registered Certificates in denominations of \$5,000 or more, bearing interest from their Date of Delivery to maturity at the rate specified on the cover page of this Official Statement, payable on February 1 and August 1, commencing February 1, 2015.

Pursuant to the Lease, the District has leased certain education technology and related personal property (the "Property") from the Lessor and has agreed to make the rental payment for the use of the Property (the "Rent Payment"). The Rent Payment is denominated into components of principal and interest and is payable on the 15<sup>th</sup> day prior to the date scheduled for the payment of such principal and interest on the Certificates. In the Indenture, the Lessor has assigned all right and title to this Rent Payment to the Trustee for the benefit of the holders of the Certificates. Each Certificate represents a proportionate undivided interest in the Rent Payment.

### **Authorization**

The Lease is being authorized pursuant to the Board's powers under NMSA 1978, Sections 6-15A-1 through 6-15A-16, as amended and supplemented, the Constitution and other laws of the State, and the Certificate Resolution adopted on September 17, 2014.

### **Use of Proceeds**

The proceeds from the sale of the Certificates will be used by the District to acquire certain education technology and related equipment for the benefit of the Lessor under the Lease and the Trustee pursuant to the Indenture and will be used to pay the acquisition costs of the Property and to pay the costs of issuance of the Certificates.

### **No Prior Redemption**

The Certificates may not be redeemed prior to their scheduled maturities.

### **Payment of Principal and Interest; Record Date**

The principal of the Certificates is payable to the registered owners of the Certificates at the principal office of the Trustee. Interest on the Certificates is payable by check or draft of the Trustee mailed on or before each interest payment date to the registered owners of the Certificates as of the close of business on the fifteenth day of the month preceding the interest payment date (the "Regular Record Date") at the address appearing in the registration books maintained by the Trustee.

## **Book-Entry-Only System**

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by the Depository Trust Company ("DTC"), New York, NY, while the Certificates are registered in its nominee's name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act initially as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of a maturity exceeds \$500,000,000, one Bond certificate will be issued with respect to each \$500,000,000 of principal amount, and an additional Bond certificate will be issued with respect to any remaining principal amount of such maturity.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase.

Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the

Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

### **Successor Securities Depository**

In the event that the District determines to discontinue the book-entry system through DTC or a successor or DTC determines to discontinue providing its services with respect to the Certificates, the District shall either (I) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Certificates to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Certificates and transfer one or more separate Certificates to DTC Participants having Certificates credited to their DTC accounts. In such event, the Certificates shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Registered Owner transferring or exchanging Certificates shall designate, in accordance with the provisions of the Certificate Resolution.

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

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

### **Transfer, Exchange and Registration**

In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Trustee only upon presentation and surrender thereof to the Trustee 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 Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Trustee. A new Certificate will be delivered by the Trustee, in lieu of the Certificate being transferred or exchanged, at the principal office of the Trustee, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates 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 Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Trustee. New Certificates 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 Certificate or Certificates surrendered for exchange or transfer. See "THE CERTIFICATES; Book-Entry-Only System" herein.

### **Source of Payment**

The Rent Payment is a direct obligation of the District payable from the proceeds of a continuing direct annual ad valorem tax levied against all taxable property located within the District, without limit as to rate or amount. *The obligation of the District to make the Rent Payment is a debt of the District and is not subject to annual appropriation by the District.*

## **SUMMARY OF DOCUMENTS**

The following summary of the Lease and the Indenture is intended only as a brief introduction to each of said documents and is qualified in its entirety by reference to the complete Lease and Indenture. Appendix C hereto contains excerpts from the Lease and the Indenture. Copies of the Lease and the Indenture may be obtained from the Trustee or, during the initial offering period, from the District's Financial Advisor, Casey Financial Consulting.

### **The Lease**

The Lease provides for the District to acquire the Property for the benefit of the Lessor and lease such Property under the terms of the Lease. The Lease authorizes the District to enter into contracts or purchase orders for the acquisition of the Property and to take possession of the Property under the terms and provisions of the Lease. The costs of acquisition of the Property will be paid from proceeds of the sale of the Certificates. The Lessee will hold title to the Property during the term of the Lease. The Lessor maintains an equitable lien on the Property, but upon payment of the final Rent Payment relating to the Certificates, the Lessee has exercised its purchase option for the Property and all interest of the Lessor and the Trustee to such Property will terminate.

Under the Lease, the District has agreed to pay a Rent Payment (denominated into components of principal and interest) in the amounts specified therein. The Rent Payment will be made by the District directly to the Trustee on or before the 15th day prior to the scheduled date for payment of principal and interest with respect to the Certificates. The Rent Payment will be deposited in the Rent Payment Fund and held in trust by the Trustee for the benefit of the Owners of the Certificates.

The District has covenanted in the Lease to levy and cause to be levied and collect ad valorem taxes, without the limit as to rate or amount, each year in amounts sufficient to pay the Rent Payment required by the Lease. The obligation of the District to make the Rent Payment is absolute and unconditional and is not subject to appropriation, abatement or set-off.

In addition to the Rent Payment, the District is also obligated to pay additional rent (the "Additional Rent") under the Lease to cover the administrative costs of the Lessor under the Indenture (including costs of the Trustee for administering the Indenture). The Additional Rent is payable from amounts which may be appropriated by the District each year; it is not included in the District's covenant to levy and collect ad valorem taxes.

The Lease may be modified or canceled only as provided in the Indenture and only with the consent of the Lessor, the District and, in certain instances, designated percentages of the Owners. (See Appendix C for excerpts of the Lease.)

### **The Indenture**

Pursuant to the Indenture, the Lessor has granted all of its right, title and interest in the Lease, including the right to collect and receive the Rent Payment, to the Trustee in trust for the equal and ratable benefit of the Owners of the Certificates, and the Trustee has been requested by the Lessor to prepare, execute and deliver the Certificates.

The Indenture provides for the establishment of the Acquisition Fund and the Rent Payment Fund. The proceeds of the sale of the Certificates will be used by the District to pay the costs of issuance of the Certificates and the costs of acquisition of the Property. The Rent Payment and prepayments (if any) received

by the Trustee with respect to the Certificates will be deposited in the Rent Payment Fund and used by the Trustee solely for paying principal and interest with respect to the Certificates. The District has the right to direct the investment of the moneys held by the Trustee in the Acquisition Fund and the Rent Payment Fund.

The Indenture provides that the Indenture and the Lease may be amended by the Lessor and the Trustee with the written consent of the holders of at least 51% of the principal amount of the Certificates then outstanding and may be amended without such consent of the holders under certain limited circumstances, provided that no such amendment shall impair the right of any registered owner of the Certificates to receive a proportionate share of the Rent Payment, or any prepayments thereof. (See Appendix C for excerpts of the Indenture.)

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## DEBT AND OTHER OBLIGATIONS

### Debt Limitations

Article IX, Section 11 of the New Mexico Constitution limits the powers of a District to incur general obligation debt extending beyond a fiscal year. Generally, the District can only incur such debt for "the purpose of erecting, remodeling, making additions to and furnishing school buildings or purchasing or improving school grounds or any combination of these purposes." The District must submit any proposition to create such debt to a vote of the qualified electors of the District, and a majority of those voting must vote in favor of creating the debt. Finally, the total indebtedness of the District may not exceed six percent of the assessed valuation of the taxable property within the District as shown by the last preceding general assessment. Despite these general limitations, New Mexico school districts may also acquire education technology equipment on a lease-purchase basis without voter approval, provided that the lease-purchase does not exceed five years and the total indebtedness does not exceed the six percent limitation. The Certificates represent such a financing. The District may refund outstanding general obligation debt without voter approval even if the resulting total indebtedness will exceed six percent of its assessed valuation.

### Debt Outstanding

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Present Balance</u>
Series 2006	\$ 6,000,000	\$ 1,825,000
Series 2009	6,000,000	3,850,000
Series 2010	4,000,000	500,000
Series 2011	10,000,000	8,650,000
Series 2011B	1,330,000	490,000
Series 2012	6,000,000	5,300,000
Series 2013	5,000,000	4,325,000
Series 2014	5,000,000	<u>4,975,000</u>
Total:		<u><u>\$29,915,000</u></u>

### Estimated Debt Service Requirements

<u>Calendar</u> <u>Year</u>	<u>Existing Debt</u>		<u>The Certificates</u>		<u>Total</u> <u>Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest<sup>1</sup></u>	
2015	\$ 3,650,000	\$ 809,237.50	\$ 20,000	\$ 20,912.50	4,500,150.00
2016	3,415,000	719,862.50	125,000	26,587.50	4,286,450.00
2017	2,875,000	626,237.50	200,000	24,712.50	3,725,950.00
2018	2,625,000	533,362.50	555,000	21,712.50	3,735,075.00
2019	2,850,000	447,262.50	600,000	12,000.00	3,909,262.50
2020	3,150,000	350,262.50			3,500,262.50
2021	2,400,000	256,637.50			2,656,637.50
2022	2,250,000	193,637.50			2,443,637.50
2023	2,450,000	148,637.50			2,598,637.50
2024	2,100,000	99,312.50			2,199,312.50
2025	1,150,000	53,062.50			1,203,062.50
2026	<u>1,000,000</u>	<u>25,000.00</u>			<u>1,025,000.00</u>
TOTAL	<u><u>\$29,915,000</u></u>	<u><u>\$4,262,512.50</u></u>	<u><u>\$1,500,000</u></u>	<u><u>\$105,925.00</u></u>	<u><u>\$35,783,437.50</u></u>

<sup>1</sup> Interest shown for the Certificates is estimated and for illustration purposes only.

## DEBT STRUCTURE ANALYSIS

### **District Valuation**

2014-2015 Preliminary Assessed Valuation	\$743,989,450
Estimated Actual Value <sup>1</sup>	\$2,345,959,201

### **Bonded Indebtedness**

Outstanding Debt	\$29,915,000
The Series 2014A Certificates	<u>1,500,000</u>
Total General Obligation Debt	<u>\$31,415,000</u>

### **Direct and Overlapping Bonded Debt**

	<u>Assessed Valuation</u>	<u>Bonded Debt</u>	<u>% Applicable</u>	<u>District's Share</u>
Alamogordo Public Schools	\$743,989,450	\$31,415,000	100.00%	\$31,415,000
City of Alamogordo	519,254,285	6,965,000	100.00%	6,965,000
N.M.S.U. Alamogordo	743,989,450	3,255,000	100.00%	3,255,000
Otero County	1,064,379,222	0	69.90%	0
State of New Mexico <sup>2</sup>	56,422,985,862	311,270,000	1.32%	<u>4,104,384</u>
Total Overlapping Debt				<u>\$45,739,384</u>

### **Debt Ratios**

Direct Debt to Assessed Valuation	4.22%
Direct Debt to Est. Actual Value	1.34%
Direct Debt per Capita <sup>3</sup>	\$766.22
Direct and Overlapping Debt to Assessed Valuation	6.15%
Direct and Overlapping Debt to Estimated Actual Value	1.95%
Direct and Overlapping Debt per Capita <sup>3</sup>	\$1,115.59
Assessed Valuation Per Capita <sup>3</sup>	\$18,146
Estimated Actual Value Per Capita <sup>3</sup>	\$57,219

### **Available Bonding Capacity**

Legal bonding capacity (6% of assessed valuation)	\$44,639,367
Less debt to be outstanding	<u>(31,415,000)</u>
Capacity in excess of present requirements	<u>\$13,224,367</u>

<sup>1</sup> Actual valuation is estimated by adding the 2013 exemptions to the 2014 assessed valuation and dividing the result by .333 (33 1/3% Assessment Ratio).

<sup>2</sup> As of August 1, 2014, the state has \$658,825,000 of severance tax revenue bonds, and \$73,225,000 of supplemental severance tax bonds. Various state agencies also have self-liquidating revenue bonded debt outstanding.

<sup>3</sup> Estimated population is 41,000.

## **TAX BASE**

### **Property Subject of Taxation**

Real property is subject to taxation with certain exemptions. Within the real property classification, exemptions include: property of the United States of America; property of the State, all counties, towns, cities and school districts or other municipal corporations; public libraries; community ditches and all laterals thereof; all church property not used for commercial purposes; all property used for educational and charitable purposes; all cemeteries not used or held for private or corporate profit; motor vehicles (other than mobile homes) and all bonds of the State, counties, municipalities and districts. Also, certain amounts of the taxable value of residential property are exempt from taxation if such property is owned by the head of a family who is a State resident (\$2,000 of residential property) or is owned by a veteran or a veteran's unmarried surviving spouse if the veteran or spouse is a State resident (\$4,000 of residential property or, for disabled veterans or spouses, the entire value of residential property). All tangible personal property has been exempted from property taxation by statute except for tangible personal property used, produced, manufactured, held for sale, leased or maintained by a person for purposes of his profession, business or occupation (unless otherwise specifically exempted from property taxation by the federal or State Constitution or law); tangible property for which the owner has claimed a deduction from depreciation for federal income tax purposes; mobile homes; livestock; and certain inventories of personal property.

### **Assessment of Property**

The county assessor sets the value of most residential and nonresidential real and personal property within the county. However, those properties used in the businesses of railroads, communications, pipelines, public utilities and airlines are valued by the Central Assessment Bureau, Property Tax Division of the Taxation and Revenue Department. The Central Assessment Bureau also is responsible for the valuation of electric generating facilities, mineral properties and certain industrial machinery. The value of oil and natural gas property and equipment is determined by the Oil and Gas Accounting Division of the Taxation and Revenue Department based on the prior calendar year's output. The net taxable value of all property is one-third of the full taxable value (the "Assessment Ratio").

The value of residential property for property taxation purposes is its market value as determined by sales of comparable property, or if that method cannot be used due to the lack of comparable sales data for the property being valued, its value is determined using an income method or costs method of valuation. Regardless of the method used for valuation, the valuation authority must apply generally accepted appraisal techniques.

The county assessor must mail a notice by April 1 of each year to each property owner informing him of the net taxable value of his property that has been valued for property taxation purposes, the tax ratio, the classification of the property valued, and other information. The Central Assessment Bureau must also send notices by May 1 of each year to property owners with property subject to valuation by the Property Tax Division. A property owner may protest the value or classification of his or her property by filing a petition of protest with the Director of the Property Tax Division or with the appropriate county assessor. The protest hearing may be held before the Director of the Property Tax Division or before the appropriate county valuation protest board, dependent upon whether the Property Tax Division or the local county assessor was responsible for review of the valuation. A property owner may appeal an order made by the Director of the Property Tax Division or a county valuation protest board by filing with the court of appeals a notice of appeal within 45 days of the date the order was made.

## Reassessment

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

There are limitations on the percentage change in a county's assessed valuation due to the re-assessment of residential property and valuation of the residential property of qualifying seniors age 65 or older can be frozen. NMSA 1978, Section 7-36-21.2 (the "Statutory Valuation Cap on Residential Increases") states, in pertinent part, that the value of a property in the 2001 and subsequent Property Tax Years shall not exceed the higher of 103% of the value in the tax year immediately prior to the tax year in which the property is being valued or 106.1% of the value in the tax year two years prior to the tax year in which the property is being valued. Exceptions to this limitation include new additions to the tax rolls, the value of new improvements to existing properties, properties in which there is a change of ownership, properties where the zoning classification has changed, and properties that are subject to the value limitations of NMSA 1978, Section 7-36-21.3.

The Statutory Valuation Cap on Residential Increases was enacted in response to an amendment to the uniformity clause (Article VIII, Section 1) of the New Mexico Constitution. This Constitutional 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.

The Statutory Valuation Cap on Residential Increases has been recently challenged in a number of venues. Paragraph 3 of NMSA 1978, Section 7-36-21.2 was declared unconstitutional under the New Mexico Constitution in the case of *Dzur vs. Bernalillo County Protests Board*, No. CV-2008-12410, filed in Second Judicial District Court on August 12, 2009. The Court held that the substantially higher increase allowed upon sale of a residential property over similar residential properties protected by the 3% annual valuation increase violated the uniformity clause. The Court of Appeals, however, upheld the statutory valuation cap in its decision on March 28, 2012. This decision was appealed to the New Mexico Supreme Court. The Supreme Court affirmed this decision on June 30, 2014. The Legislature has considered various bills dealing with the Statutory Valuation Cap on Residential Increases in the 2010 through 2014 legislative sessions, but no bills were enacted 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.

## Assessed Valuation

In October of each year, the county assessor compiles all property within a school district into an Abstract of Assessed Valuation (the "Abstract"). The Abstract presents the District's assessed valuation by major components, including the centrally assessed property reported by the Central Assessment Bureau. The District's assessed valuation, as derived from the Abstract, is presented below for the last five property tax years.

Property Tax Year	2010	2011	2012	2013	2014*
Land	\$133,362,729	\$137,752,176	\$141,946,156	\$145,561,176	
Improvements	467,108,335	490,142,270	512,203,333	527,027,531	
Personal Property	9,586,722	8,419,205	7,073,433	8,604,211	
Mobile Homes	18,631,221	17,995,431	17,716,714	17,637,970	
Livestock	<u>1,137,045</u>	<u>1,295,937</u>	<u>1,441,353</u>	<u>1,443,555</u>	
Assessor's Taxable Value	629,826,052	655,605,019	680,380,989	700,274,443	
Less Exemptions	<u>(34,368,595)</u>	<u>(35,240,643)</u>	<u>(35,820,663)</u>	<u>(37,214,964)</u>	
Assessor's Net Taxable Value	595,457,457	620,364,376	644,560,326	663,059,479	\$678,038,181
Centrally Assessed Property	<u>50,279,017</u>	<u>50,225,919</u>	<u>57,251,607</u>	<u>58,824,222</u>	<u>65,951,269</u>
Total Net Taxable Value	<u>\$645,736,474</u>	<u>\$670,590,295</u>	<u>\$701,811,933</u>	<u>\$721,883,701</u>	<u>\$743,989,450</u>

Source: The Otero County Assessor.

## Residential and Non-Residential Property

Property in New Mexico is classified as either residential or non-residential based on its use. The calculation of revenue limitations for Yield Control, as discussed herein, is performed separately for each property class. The result is that levies for operational purposes may be different for each property class. The assessed valuation of the District broken down by residential/non-residential classification is shown below.

Property Tax Year:	2010	2011	2012	2013	2014*
Residential	\$448,893,510	\$471,319,058	\$492,618,085	\$508,614,400	\$524,868,526
Non-Residential	196,842,964	199,271,237	209,193,848	213,269,301	219,120,924
Total	<u>\$645,736,474</u>	<u>\$670,590,295</u>	<u>\$701,811,933</u>	<u>\$721,883,701</u>	<u>\$743,989,450</u>

## Comparison of Assessed Valuation

The following is a history of assessed valuation for the District compared with Otero County.

<u>Tax Year</u>	<u>Alamogordo Public Schools</u>	<u>Otero County</u>	<u>% of County</u>
2014*	\$743,989,450	\$1,064,379,222	69.90%
2013	721,883,701	1,033,349,939	69.86
2012	701,811,933	993,188,730	70.66
2011	670,590,295	946,961,092	70.81
2010	645,736,474	911,689,055	70.83
2009	610,559,156	861,036,924	70.91
2008	593,594,956	828,282,406	71.67
2007	560,739,635	781,144,958	71.78

\* Preliminary and subject to change. Certain detail of the assessed valuation is currently not available.

## Major Taxpayers

<u>Taxpayer</u>	<u>2014-15 Valuation</u>
Union Pacific Railroad	\$22,172,419
Public Service Company of New Mexico	19,256,857
Century Link	3,558,502
El Paso Electric Co.	3,490,693
Otero Electric	3,131,341
IDS Baja Broadband	2,657,019
New Mexico Gas Company	2,552,760
Tri-State Electric	1,670,126
Mesa Verde Construction	1,300,775
N.M.R.S.A. 6 L/P	1,259,162

The above taxpayers represent 8.21% of the District's 2014-15 total assessed valuation.

Source: Central Assessment Bureau, Property Tax Division, Taxation and Revenue Department

## TAX RATES

### Yield Control Limitation

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

$$\text{Current tax revenues} = \text{prior tax revenues} \times (G+I)$$

Where: G is never less than 100%

I is never less than 0% or more than 5%.

The annual business indicator index is defined as "annual implicit price deflator index for state and local government purchases of goods and services, as published in the United States department of commerce monthly publication entitled "Summary of Current Business" or any successor publication for the calendar year." The yield control formula applies to both residential and nonresidential property, but the calculations for each property class are made separately. Additionally, the yield control formula applies to any authorized operating levy but not to any debt service levy.

## Constitutional Limitation

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 a taxing 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 overlapping operational levies of the Alamogordo Municipal School District are 12.260 residential and 19.414 nonresidential, both of which are within the 20-mill limit.

## Tax Rates - City of Alamogordo (Residential and Non-Residential)

	<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>		<u>2014</u>	
	<u>Res</u>	<u>Nonres</u>	<u>Res</u>	<u>Nonres</u>	<u>Res</u>	<u>Nonres</u>	<u>Res</u>	<u>Nonres</u>	<u>Res</u>	<u>Nonres</u>
State Debt Service	1.530	1.530	1.362	1.362	1.360	1.360	1.360	1.360	1.360	1.360
County Operational	7.210	11.478	7.083	11.850	7.084	11.850	7.048	11.850	6.946	11.850
County Debt Service	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Total	<u>7.210</u>	<u>11.478</u>	<u>7.083</u>	<u>11.850</u>	<u>7.084</u>	<u>11.850</u>	<u>7.048</u>	<u>11.850</u>	<u>6.946</u>	<u>11.850</u>
Municipal Operational	5.162	6.682	5.070	7.064	5.055	7.064	5.058	7.064	4.991	7.064
Municipal Debt Service	<u>1.523</u>	<u>1.523</u>	<u>1.503</u>	<u>1.503</u>	<u>1.456</u>	<u>1.456</u>	<u>1.470</u>	<u>1.470</u>	<u>1.981</u>	<u>1.981</u>
Total Municipal	<u>6.685</u>	<u>8.205</u>	<u>6.573</u>	<u>8.567</u>	<u>6.511</u>	<u>8.520</u>	<u>6.528</u>	<u>8.534</u>	<u>6.972</u>	<u>9.045</u>
School District Operational	0.334	0.477	0.328	0.500	0.328	0.500	0.327	0.500	0.323	0.500
School District Debt Service	4.452	4.452	4.837	4.837	5.777	5.777	5.484	5.484	5.693	5.693
School Dist. Ed. Tech Debt	1.707	1.707	1.279	1.279	0.339	0.339	0.588	0.588	0.379	0.379
School Capital Improvements	<u>1.923</u>	<u>1.908</u>	<u>1.890</u>	<u>2.000</u>	<u>1.889</u>	<u>2.000</u>	<u>1.889</u>	<u>2.000</u>	<u>1.864</u>	<u>2.000</u>
Total School District	<u>8.416</u>	<u>8.544</u>	<u>8.334</u>	<u>8.616</u>	<u>8.333</u>	<u>8.616</u>	<u>8.288</u>	<u>8.572</u>	<u>8.258</u>	<u>8.572</u>
NMSU Alamogordo Branch	<u>1.592</u>	<u>1.754</u>	<u>1.570</u>	<u>1.792</u>	<u>1.569</u>	<u>1.800</u>	<u>1.567</u>	<u>1.800</u>	<u>1.557</u>	<u>1.800</u>
Grand Total	<u>25.433</u>	<u>31.511</u>	<u>24.922</u>	<u>32.187</u>	<u>24.857</u>	<u>32.146</u>	<u>24.791</u>	<u>32.116</u>	<u>25.093</u>	<u>32.627</u>

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## **TAX COLLECTIONS**

### **Method of Collection**

General (ad valorem) taxes for all units of government are collected by the county treasurer and distributed monthly to the various political subdivisions to which they are due. Property taxes are due in two installments. The first half installment is due on November 10 and becomes delinquent on December 10; the second half installment is due on April 10 and becomes delinquent on May 10.

### **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 shall be imposed, but the total penalty shall not exceed 5% of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

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

### **Interest on Delinquent Taxes**

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

### **Remedies Available for Non-Payment of Taxes**

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

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 for which taxes are delinquent.

**TAX COLLECTION HISTORY**  
**(Otero County)**

<u>Tax Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Taxes Collected to Date</u>	<u>Percentage Collected</u>
<u>As of June 30, 2014</u>			
2013	\$24,552,611	\$23,083,217	94.02%
2012	23,670,305	22,978,813	97.08
2011	22,777,018	22,639,222	99.40
2010	21,969,040	21,887,864	99.63
2009	21,002,954	20,957,902	99.79
<u>As of June 30, 2013</u>			
2012	\$23,672,943	\$22,014,273	92.99%
2011	22,771,838	22,109,312	97.09
2010	21,968,526	21,827,373	99.36
2009	21,001,979	20,931,591	99.66
2008	20,392,025	20,356,615	99.83
<u>As of June 30, 2012</u>			
2011	\$22,776,842	\$21,317,856	93.59%
2010	21,972,675	21,362,752	97.22
2009	21,003,876	20,877,467	99.40
2008	20,393,890	20,329,491	99.68
2007	19,660,095	19,622,515	99.81
<u>As of June 30, 2011</u>			
2010	\$21,872,573	\$20,544,334	93.93%
2009	21,075,196	20,407,307	96.83
2008	20,405,435	20,279,893	99.38
2007	19,669,249	19,608,919	99.69
2006	18,123,579	18,101,316	99.88
<u>As of June 30, 2010</u>			
2009	\$21,065,099	\$19,634,464	93.21%
2008	20,388,302	19,814,031	97.18
2007	19,649,967	19,547,125	99.48
2006	18,103,600	18,066,638	99.80
2005	17,468,692	17,449,963	99.89

*Source: Otero County Treasurer*

## **THE DISTRICT**

### **General**

The District is a political subdivision of the State organized for the purpose of operating and maintaining an educational program for school-age children residing within its boundaries. The District's powers are subject to regulations promulgated by the Public Education Department (the "PED") and the Secretary of the Public Education Department (the "Secretary"). The Secretary is the governing authority and has control, management and direction of all public schools, except as otherwise provided by law. The Secretary is appointed by the Governor and confirmed by the Senate. Generally, the powers of the Secretary and PED include determining the policy of operations of all public schools; prescribing courses of instruction; determining qualifications for licensure of teachers, instructional support personnel and administrators, providing technical assistance to local school boards and districts, prescribing minimum educational standards for all public schools, and enforcing the Public School Code.

The Secretary may order the creation of new school districts or the consolidation of existing school districts and may approve the annexation of a geographical area from within one district to another with the consent of the affected school districts.

### **Governing Board and Administration**

The District's Board of Education (the "Board"), subject to the rules of the PED, supervises and controls all public schools and property within the District. The Board employs a superintendent of schools, delegates administrative and supervisory functions to the superintendent, reviews and approves the District's budget, has the capacity to sue and be sued, leases, purchases and sells for the District, acquires and disposes of all property, adopts rules pertaining to the administration of all powers or duties of the Board, and, except for salaries, contracts for the expenditure of money according to the provisions of the Procurement Code. Members serve without compensation for four-year terms of office and are elected in non-partisan elections held on the first Tuesday in February in the odd-numbered years.

**Steven Jaszai**, President, term expires March 1, 2017.

**David Weaver**, Vice President, term expires March 1, 2015.

**David Borunda**, Secretary; term expires March 1, 2015.

**Dr. Allan Rickman**, Member, term expires March 1, 2015.

**David Ceballes**, President, term expires March 1, 2017

### **Administration and Staff**

The Superintendent of Schools (the "Superintendent") is selected by the Board and is under contract at the discretion of the Board. The Superintendent is the Chief Executive Officer of the District and employs, fixes salaries of, and assigns and discharges or terminates all employees of the District. The Superintendent administers and supervises the operations of the District and, in conjunction with the Director of Finance, prepares the budget, approves budgetary controls, purchasing and payments, subject to review of the Board. The Superintendent and selected administrative staff for the District are:

Adrienne Salas, Superintendent of Schools

Carol Genest, Director of Business and Finance

J. Vamce Lee, Executive Director of Support Services

## **Retirement Plan**

Employees of the District participate in a defined benefit contribution retirement plan through the Educational Retirement Act (ERA) of the State, a cost-sharing multiple employer, public employee retirement system. The Educational Retirement Board (“ERB”) is the administrator of the plan and issues a separate, publicly available financial report that includes financial statements and required supplementary information. Said report is available from the Educational Retirement Board, PO Box 26129, Santa Fe, NM 87502-6129.

## Funding Policy

Covered employees earning more than \$20,000 were required by State statute to contribute 9.4% of their gross compensation for the fiscal year ending June 30, 2013. For fiscal year 2014, the contribution rate for employees making over \$20,000 was 10.1% and increases to 10.7% for 2015 and subsequent fiscal years. The contribution rate of 7.9% will not change for employees earning less than \$20,000. The District’s contribution requirement for fiscal year 2014 is 13.15% and then increases to 13.9% in fiscal year 2015.

The District’s contribution requirements for the fiscal years ending June 30, 2013, 2012, and 2011 were \$3,244,040, \$2,977,858, and \$3,580,231, respectively.

## Recent Legislative Changes

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

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%.

The ERB had 135,584 members as of June 30, 2013, including active, retired, inactive vested and inactive non-vested members. The market value of the Educational Retirement Fund (the “Fund”) as of June 30, 2013 was \$10.2 billion, which was up from a low of \$6.0 billion in February 2009. The market value of the Fund on March 31, 2014 was \$10.9 billion. The ERB had net investment gains for the fiscal year 2013 of 10.8% and net investment gains of 10.2% for the first three quarters of fiscal year 2014.

GASB Statement 25 requires ERB to report the annual required contribution of the employer (the “ARC”), also known as the actuarially determined contribution, and the percentage of the ARC contributed. ERB meets 100% of its statutorily required employer contributions annually. The following table lists the ARC and the ERB funded ratio for Fiscal Years 2009 through 2013.

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Funded Ratio</u>
2013	\$480,700,326	60.1%
2012	400,461,343	60.7
2011	377,884,749	63.0
2010	357,220,043	65.7
2009	375,430,722	67.5

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

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

#### Pension Plan Statistics

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

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

#### **Retiree Health Care**

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 Retiree Healthcare Authority issues a separate, publicly available audited financial report, and it may be requested by writing to the Retiree Healthcare Authority, 4308 Carlisle NE, Albuquerque, NM 87107.

For the years ending June 30, 2013, 2012, and 2011, the District contributions to the NMRHCA were \$585,300, \$569,619, and \$530,099, respectively.

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

## **Insurance**

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

## **Accreditation**

All of the District's schools are accredited by the State's Public Education Department. The accreditation is by school and district.

## **Enrollment**

The following table presents a five-year history of the District's enrollment.

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
K, 3 & 4s	681	736	710	666	665
Grade 1	505	523	555	532	544
Grade 2	499	519	492	547	505
Grade 3	463	490	492	468	530
Grade 4	423	477	467	470	458
Grade 5	461	425	459	452	451
Grade 6	462	467	412	463	441
Grade 7	430	470	456	392	451
Grade 8	459	445	468	458	389
Grade 9	478	451	433	418	440
Grade 10	521	508	469	418	412
Grade 11	411	463	433	411	401
Grade 12	<u>459</u>	<u>457</u>	<u>461</u>	<u>428</u>	<u>365</u>
Total K-12	6,252	6,431	6,307	6,123	6052

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## **PUBLIC SCHOOL FINANCING**

Revenue to finance the basic operation of New Mexico schools is obtained from local, federal and State sources and accounted for in the District's General Fund.

### **Local Sources**

School districts are authorized to levy against all taxable property within the district a maximum of .5 mills for operational purposes. This levy is subject to restriction by Yield Control, discussed earlier in this Official Statement, so less than the total .5 mills may be actually levied. The State's equalization guarantee program, to be discussed below, takes credit for 95% of the revenue generated through the operational mill levy. Other sources of local revenue include tuition payments, rental of school property, the sale of property and equipment, insurance claim proceeds, and earnings on investments.

### **Federal Sources**

Public Law 81-874 ("Impact Aid") Federal funds are provided to school districts to mitigate potential hardships that result from educating children living on federal lands within a district's boundaries that are not included in a district's tax base. Such lands include military reservations, Indian reservations, federal public domain lands and national forest lands. The State's equalization guarantee takes credit for 75% of any regular Impact Aid funds received by the school district. Those school districts which educate students who reside on Indian lands receive 125% of the basic Impact Aid entitlement for those students. Beginning in 1988, the 25% premium paid for such students is excluded from the equalization guarantee formula by both federal and State law and is classified as a federal source revenue in the Special Revenue Fund by the district. School districts are not required to spend these funds exclusively for Indian children or for special programs for Indian children.

Forest Reserve Funds Revenue generated on federal lands located within a school district is shared with the district. Twenty-five percent of the net receipts from operations within reserve areas is remitted to the appropriate county treasurer. These distributions are then split equally between the county road fund and the school district. The State also takes credit for 75% of Forest Reserve funds received by a district when calculating the equalization guarantee.

Other Federal Funds Local school districts and State education agencies receive a variety of federal assistance funds. These funds include programs under the Johnson-O'Malley Act, the Education Consolidation and Improvement Act of 1981, and Public Law 94-142. Funds received from such federal programs are placed in the Special Revenue Fund and are not part of the district's General Fund or operational budget.

### **State Sources**

Equalization Guarantee Program The intent of the Public School Finance Act of 1974 was to equalize financial opportunity at the highest possible revenue level and to guarantee each New Mexico public school student access to programs and services appropriate to his educational needs regardless of geographic or local economic conditions. The resulting "equalization guarantee" funding formula is designed to determine the level of funding needed by a particular school district without regard to tax base but considering student enrollment, differential costs of various educational programs and grade levels, and the training and experience of district personnel. The State guarantees the needed level of financing determined under the formula less credits for 75% of district revenues from local sources, from federal "in lieu of tax" programs and from federal Forest Reserve program distributions, as discussed previously.

Other State Revenues The State has two other special programs that are operated separately from the equalization

guarantee. The Free Textbook Allocation program is the only significant program not administered through the Public School Fund. The appropriation for free textbooks is derived exclusively from federal mineral leasing revenues received by the State. The State also provides a transportation distribution to qualifying school districts to cover the cost of transporting students in grades K through 12. The distributions are based on a formula which considers the capacity of the buses used, number of routes, miles traveled on each route and number of students actually transported on each route.

### **Other Funds Maintained by the School District**

#### Debt Service Funds

The County Treasurer levies and collects debt service funds sufficient to retire bonded debt as it becomes due and payable. Such funds are distributed to the District and accounted for separately from operating funds. The District is allowed to borrow all District funds if the collections are insufficient, but such borrowings must be repaid from tax collections. Debt service funds may not be used for general operating purposes.

#### Capital Project Fund

The Capital Projects Fund is used to account for the revenues and expenditures under the provisions of two State programs and general obligation bonds issued by the District.

#### Public School Capital Improvements Fund

The Public School Capital Improvements Fund exists to account for revenues received under provisions of the Public School Capital Improvements Act, NMSA 1978, §§ 22-25-1 through 22-25-11. The act provides for imposition of a property tax to produce revenue for capital improvements. The act further provides that funds will be distributed by the State to those school districts that impose the special property tax.

#### General Obligation Bonds

The Capital Projects Fund is also used to account for the costs relating to erecting, remodeling, making additions to and furnishing school buildings; purchasing or improving school grounds; purchasing computer software and hardware for student use in public schools; providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act; or any combination of these purposes.

#### Fiduciary Funds

The District acts as an agent for the various organizations by facilitating collection of revenues and payments of expenses.

#### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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## DISTRICT BUDGETING PROCESS

The District is required by State law to submit to the School Budget and Finance Analysis Bureau ("SB&FAB") by April 15 of each year, an estimated budget for the next school year. If no budget is submitted, the SB&FAB must prepare an estimated budget for the District. Prior to June 20 of each year, the Board must hold a public hearing to fix the estimated budget for the District for the next fiscal year.

On or before July 1 of each year, the SB&FAB approves and certifies a final budget for use by the District. 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 such expenditure is made in accordance with the approved operating budget, but this does not prohibit the transfer of funds between line items within a series in the budget. Final budgets may not be altered or amended after approval by the SB&FAB, except changes which do not increase the total amount of the budget. Additional budget items may also be approved if the District receives 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 SB&FAB 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 activity category may not exceed categorical appropriations. To conform with SB&FAB's requirements, budgets for all funds of the District are adopted on the cash basis of accounting except for the state instructional materials credit, which provides for free textbooks from the Public Education Department. Accordingly, the budgets are not prepared in conformance with generally accepted accounting principles.

## GENERAL (OPERATIONAL) FUND BUDGET

	<b><u>2014-15 Budget</u></b>
<b>OPERATIONAL RESOURCES:</b>	
Beginning cash	\$ 1,779,821
Revenue:	
State sources	40,713,628
Local sources	274,952
Federal sources	790,476
Other	<u>35,000</u>
Total Operational Resources Available	<u>43,593,877</u>
<b>OPERATIONAL EXPENDITURES:</b>	
Direct Instruction	26,511,292
Student support	4,061,456
Instructional support	987,110
General administration	932,076
School administration	2,427,827
Central services	2,183,006
Operation and maintenance	6,354,042
Student transportation	-
Other support services	<u>137,068</u>
Total Operational Expenditures	<u>43,593,877</u>
Net Excess or Deficiency of Resources	<u>\$ -0-</u>

**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
General Fund

Fiscal Year Ending June 30:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<b>UNAUDITED <u>2014*</u></b>
<b>Revenues:</b>					
State sources	\$36,885,136	\$41,820,739	\$41,359,328	\$41,720,479	\$41,194,881
Federal sources	1,461,329	1,366,108	1,413,956	1,632,683	1,078,387
Property taxes	240,830	244,400	253,474	264,993	272,515
Other	<u>238,801</u>	<u>155,536</u>	<u>233,921</u>	<u>164,448</u>	<u>526,029</u>
Total Revenues	<u>38,826,096</u>	<u>43,586,783</u>	<u>43,250,679</u>	<u>43,782,603</u>	<u>43,071,812</u>
<b>Expenditures:</b>					
Direct instruction	24,993,024	26,335,785	26,099,466	25,136,476	24,507,315
Support services:					
Students	3,994,812	3,614,654	3,657,061	3,788,103	3,697,811
Instruction	923,677	832,595	1,296,020	886,370	815,465
General administration	541,068	662,542	930,445	925,104	899,428
School administration	2,132,588	2,108,327	2,210,412	2,254,852	2,252,786
Central	2,067,521	2,006,084	1,962,469	1,985,053	2,012,184
Operation & maintenance	4,205,805	5,636,101	6,014,100	5,759,686	5,633,830
Other support services	-	73,544	96,766	204,167	104,791
Food services	34,847	24,639	40,918	38,423	-
Pupil transportation	4,885	1,173,274	1,396,454	1,620,521	1,548,161
Capital outlay	<u>-</u>	<u>-</u>	<u>164,172</u>	<u>72,855</u>	<u>192,670</u>
Total Expenditures	<u>38,898,227</u>	<u>42,467,545</u>	<u>43,868,283</u>	<u>42,671,610</u>	<u>41,664,441</u>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	(72,131)	1,119,238	(617,604)	1,110,993	\$1,407,371
Other financing sources:					
Transfer/refunds	(200,000)	102,534	164,008	19,780	
Fund balance - beginning of year	2,369,043	2,096,912	3,560,762	3,107,166	
Restatement	<u>-</u>	<u>242,078</u>	<u>-</u>	<u>-</u>	
Fund balance - end of year	<u>\$2,096,912</u>	<u>\$3,560,762</u>	<u>\$3,107,166</u>	<u>\$4,237,939</u>	

\* The unaudited operating results for the fiscal year ending June 30, 2014, are on a cash basis as required by the Public Education Department of the State of New Mexico and do not include certain accrued revenues and expenditures of the audited statements.

## STATEMENT OF NET ASSETS

Fiscal Year Ending June 30:	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b><u>ASSETS</u></b>			
Current Assets			
Cash and investments	\$12,508,028	\$13,024,162	\$17,328,804
Receivables:			
Property taxes	467,239	455,675	472,959
Due from other governments	1,805,761	2,513,680	1,350,947
Other	-	-	13,839
Inventory	34,924	96,542	82,308
Other	-	40,440	-
Total Current Assets	<u>14,815,952</u>	<u>16,130,499</u>	<u>19,248,857</u>
Noncurrent Assets			
Restricted assets (cash and equivalents)	4,112,407	4,193,850	4,477,309
Capital assets	122,367,706	129,650,950	133,536,034
Less accumulated depreciation	(60,458,081)	(63,075,124)	(66,326,586)
Bond issuance costs	285,352	359,331	364,513
Total Noncurrent Assets	<u>66,307,384</u>	<u>71,129,007</u>	<u>72,051,270</u>
Total Assets	<u>\$81,123,336</u>	<u>\$87,259,506</u>	<u>\$91,300,127</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current Liabilities			
Accounts payable	\$916,045	\$2,045,680	\$ 604,482
Due to other governments	142,190	-	-
Claims payable	12,500	-	-
Accrued payroll	643,984	606,783	2,389,308
Accrued interest	363,546	317,683	349,986
Accrued compensated absences	186,742	141,205	146,701
Current portion of leases payable	155,132	162,411	167,618
Current portion of long term debt	<u>3,225,000</u>	<u>3,305,000</u>	<u>3,565,000</u>
Total Current Liabilities	<u>5,645,139</u>	<u>6,578,762</u>	<u>7,223,095</u>
Non current liabilities			
Compensated absences	41,029	40,589	44,987
Capital lease due in more than one year	460,847	299,235	133,190
Premium on bonds net of amortization	279,046	351,449	428,708
Non-current portion of long-term debt	<u>23,080,000</u>	<u>27,105,000</u>	<u>28,540,000</u>
Total Noncurrent Liabilities	<u>23,860,922</u>	<u>27,796,273</u>	<u>29,146,885</u>
Total Liabilities	<u>29,506,061</u>	<u>34,375,035</u>	<u>36,369,980</u>
Net Assets			
Invested in capital assets net of related debt	41,963,283	43,823,644	43,914,842
Restricted for:			
Debt service	3,884,790	4,050,059	4,301,975
Capital projects	855,776	519,816	1,516,256
Other purposes - special revenue	1,548,363	1,543,392	1,125,891
Unrestricted	<u>3,365,063</u>	<u>2,947,560</u>	<u>4,071,183</u>
Total Net Assets	<u>51,617,275</u>	<u>52,884,471</u>	<u>54,930,147</u>

## **TAX MATTERS**

### **Federal Income Tax Opinion**

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Austin, Texas, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (1) the component of each Rent Payment designated as interest under the Lease and the portion of the payment on the Certificates which evidence such interest (the "Interest Component") for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Lease will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated in this subsection and the subsection "New Mexico Income Tax Opinion," Co-Special Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates, except as described below. See Form of Opinion of McCall, Parkhurst & Horton L.L.P. in Appendix C.

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion rendered by McCall, Parkhurst & Horton L.L.P. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Certificate holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **New Mexico Income Tax Opinion**

On the date of initial delivery of the Certificates, Cuddy & McCarthy, LLP, and McCall, Parkhurst & Horton L.L.P. will render their opinions that the Interest Component will be excluded from net income for purposes of New Mexico state income tax. Cuddy & McCarthy, LLP expresses no opinion as to any federal or any other state or local tax consequences, except as described in this subsection. See the Form of Opinions of Co-Special Counsel in Appendix B.

## **Federal Income Tax Accounting Treatment of Original Issue Discount**

The initial public offering price to be paid for the maturity of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

### **Collateral Federal Income Tax Consequences**

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

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

obligations.

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

The Interest Component will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

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

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

### **State, Local and Foreign Taxes**

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

## **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 by such taxpayer in determining 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 which is a "financial institution" allocable to tax-exempt obligations, other than "specified private activity bonds," which are designated by a "qualified small district" as "qualified tax-exempt obligations." A "qualified small district" is any governmental district (together with any subordinate district's) 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 referring to any corporation 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 which is subject to federal or state supervision as a financial institution.

The District expects to designate the Lease related to the Certificates 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 Lease and the Certificates 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 minimus 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 a position that the amount of such premiums is not disregarded, then such obligations might fail to satisfy the \$10,000,000

limitation and the Lease would not be “qualified tax-exempt obligations.”

## **LITIGATION**

At the time of the original delivery of the Certificates, 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 Certificates, the Lease, the effectiveness of the Certificate Resolution or the Lease, the levying or collecting of taxes to pay the Rent Payments or contesting or questioning the proceedings and authority under which the Certificates or the Lease have been authorized and are to be issued, sold, executed or delivered, or the validity of the Lease.

## **FUTURE AND PROPOSED LEGISLATION**

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

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance, sale and delivery of the Certificates are subject to the approval of the New Mexico Attorney General and of Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P., Co-Special Counsel. (See Appendix B for the forms of such opinions of Co-Special Counsel.) In connection with the transactions described in this Official Statement, Co-Special Counsel represents the District. The fee to be paid to Co-Special Counsel is contingent upon the sale and delivery of the Certificates.

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

## **CONTINUING DISCLOSURE UNDERTAKING**

In the Certificate Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The District is required to observe the agreement while it remains obligated to advance funds to pay the Certificates. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events. This information is available free of charge from the Municipal Securities Rulemaking Board (“MSRB”) via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings “DEBT AND OTHER OBLIGATIONS - Debt Outstanding,” “DEBT STRUCTURE ANALYSIS - Bonding Capacity,” “TAX BASE - Assessed Valuation,” “TAX RATES - City of Alamogordo,” “TAX COLLECTION HISTORY - Otero County,” and “THE DISTRICT-Enrollment,” and in Appendix C which contains the financial information under the

headings “REVENUE AND EXPENDITURES AND CHANGES IN FUND BALANCE-General Fund” and “STATEMENT OF NET ASSETS.” The District will update and provide this information by March 31 following the end of each fiscal year ending in or after 2015.

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

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

### **Material Event Notices**

The District will also provide the MSRB with timely notices, not in excess of ten business days, of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other notices or determinations with respect to the tax status of the security, or other events affecting the tax-exempt status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Bond calls, if material; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) tender offers; (13) bankruptcy, insolvency, receivership or similar event of the obligated person; (14) merger, consolidation, or acquisition of the obligated person, if material; and (15) appointment of a successor or additional trustee, or change of name of a trustee, if material. Neither the Certificates nor the Certificate Resolution make any provision for debt service reserves, liquidity enhancement or credit enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports”.

### **Availability of Information**

The District has agreed to provide the foregoing updated information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Material Event Notices” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

### **Limitations and Amendments**

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

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

### **Compliance with Prior Undertakings**

During the past five years, annual financial information has been filed timely, and if the audit was not available at filing, unaudited operating results have been included pursuant to the continuing disclosure undertakings. However, in 2010 Moody's Investors Service realigned the ratings of municipal issuers. In the process, the District's rating was changed from "A2" to "Aa3", but the district was not notified of the change and consequently did not file a "Material Event Notice of Rating Change." On September 8, 2014, the District filed a Material Event Notice that it did not file the rating change notice.

### **RATING**

Moody's Investors Service, Inc. has rated the Certificates "\_\_\_\_". An explanation of the significance of these ratings may be obtained from Moody's Investors Service, Inc. at 99 Church Street, New York, New York 10007. There is no assurance that the ratings will be continued for any given period of time or that they 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 either such rating may have an adverse effect on the market price of the Certificates.

### **MUNICIPAL ADVISOR**

Casey Financial Consulting is a Municipal Advisor registered with the Securities Exchange Commission and the Municipal Securities Rulemaking Board. A fee to be paid to Casey Financial Consulting is contingent upon the sale and delivery of the Certificates.

### **ADDITIONAL INFORMATION**

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 Alamogordo Public Schools Administration Office, PO Box 650, Alamogordo, NM 88311-0650, or Casey Financial Consulting, 10908 Snowbird Drive NW, Albuquerque, NM 87114 or PO Box 56635, Albuquerque, NM 87187-6635.

## OFFICIAL STATEMENT CERTIFICATION

The final certificates included in the transcript of legal proceedings will include the following: At closing, an appropriate officer of the District will sign a certificate stating, after reasonable investigation, that to the best of its 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 its 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 Certificates, 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.

Alamogordo Municipal School District No. 1

By:

\_\_\_\_\_  
President

# APPENDIX A

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## AREA ECONOMIC INFORMATION

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## **AREA ECONOMIC INFORMATION**

### **Generally**

The economy of the District is largely centered around governmental facilities, including Holloman Air Force Base, White Sands Missile Range, and the German Air Force Training Center.

Holloman Air Force Base has been in operation since May 1942, covers 59,904.32 acres, and is presently home to the 49<sup>th</sup> Wing. The 49<sup>th</sup> Wing supports national security objectives by deploying worldwide to support peacetime and wartime activities. The wing provides combat-ready airmen and aircraft, and trains MQ-1 Predator and MQ-9 Reaper pilots and sensor operators. The 54<sup>th</sup> Fighter group, a detachment from Luke AFB in Arizona, is stationed at Holloman to facilitate high speed training, live fire weapons training and night flying.

Holloman Air Force Base is the largest employer in Otero County, employing 4,653 military and 1,358 civilians. The military payroll amounted to \$239.5 million in 2013, and the total estimated economic impact was over \$482 million.

White Sands Missile Range is the birthplace of the U.S. rocket program in the 1940's, and the north end of the range was the site of the first atomic bomb detonation on July 16, 1945. The range covers two million acres or about 3,200 square miles and is the premier test range in the world. The range is still used for testing missiles and missile defense systems and other defense-related research.

Since 1992, the German Air Force has maintained a tactical training center at Holloman Air Force Base to train its pilots using the White Sands Missile Range and for joint strike training with the U.S. Air Force.

The other important component of the area economy is tourism. White Sands National Monument is located within the District. Here, great wave-like dunes of white gypsum cover almost 300 square miles of desert. White Sands is New Mexico's number one National Monument attraction.

Lincoln National Forest is well known as the birthplace of Smokey Bear, the national symbol of the campaign against human-caused forest fires. The forest consists of three mountain ranges, Sacramento, Guadalupe and Capitan, that cover 1,103,441 acres spanning four New Mexico counties. Lincoln National Forest provides a watershed and hunting, fishing and camping opportunities for area residents and visitors.

Other tourist attractions in the area include the New Mexico Museum of Space History, the Oliver Lee Memorial State Park, the Three Rivers Petroglyph Site, the Old Town Alamogordo, and the Toy Train Depot in Alameda Park.

The final component of the District's economy is ranching and farming. Otero County was 27<sup>th</sup> of 33 counties in cash receipts from all farm commodities in 2012, the last year of available statistics. Total cash receipts were \$24,702,000 in 2012. The sale of livestock accounted for 80.95% of the County's cash receipts and farm products were responsible for the remaining 19.05%. Recently, pistachios have been added as a cash crop in addition to pecans, corn, apples, and grapes.

## POPULATION

The following chart shows the historical population data for the City of Alamogordo, Otero County and the State.

Year	City of Alamogordo	Otero County	State of New Mexico
2013 (estimate)	31,500	65,616	2,085,287
2010 (census)	30,403	63,797	2,059,179
2000 (census)	35,582	62,298	1,819,046
1990 (census)	27,986	51,928	1,520,039
1980 (census)	24,024	44,665	1,303,143
1970 (census)	23,035	41,097	1,071,055
1960 (census)	21,723	36,976	951,023

Source: United States Department of Commerce, Bureau of Census (05/14)

## INCOME

### TOTAL PERSONAL INCOME

Year	Otero County (\$000)	State of New Mexico (\$000)	United States(\$000)
2012	\$2,087,484	\$74,416,002	\$13,729,063,000
2011	2,066,645	72,300,258	13,179,561,000
2010	1,970,122	68,489,125	12,423,332,000
2009	1,789,632	66,178,428	12,073,738,000
2008	1,695,437	67,337,890	12,451,660,000
2007	1,624,518	63,035,677	11,900,562,000
2006	1,541,048	59,274,367	11,256,516,000
2005	1,474,789	55,341,826	10,476,669,000
2004	1,414,395	51,578,691	9,928,790,000
2003	1,335,142	48,139,404	9,369,072,000

Source: Bureau of Business and Economic Research, (05/14).

### PER CAPITA PERSONAL INCOME

Year	Otero County	New Mexico	United States
2012	\$31,609	\$35,682	\$43,735
2011	31,524	34,782	42,298
2010	30,630	33,170	40,163
2009	28,652	32,491	39,357
2008	27,128	33,399	39,357
2007	26,006	31,963	44,692

Source: Bureau of Business and Economic Research, (05/14).

## CALENDAR YEAR REPORTED GROSS RECEIPTS

<u>Year</u>	<u>Alamogordo</u>		<u>Otero County</u>	
	<u>Retail</u>	<u>Total</u>	<u>Retail</u>	<u>Total</u>
2012	\$429,755,047	\$885,129,723	\$490,401,086	\$1,484,335,619
2011	438,261,000	921,835,861	510,621,745	1,514,215,287
2010	425,676,157	891,296,610	490,869,529	1,438,256,736
2009	383,465,037	831,126,373	446,644,670	1,399,379,460
2008	404,678,277	872,092,018	468,254,298	1,402,694,864
2007	413,463,031	864,988,996	474,369,670	1,350,611,318
2006	364,715,635	841,748,284	424,080,145	1,195,712,811
2005	352,611,642	804,693,422	414,986,236	1,177,935,986
2004	335,533,291	700,709,751	385,720,105	1,179,574,131
2003	298,087,821	658,144,872	342,712,262	1,132,715,272

## **LABOR FORCE**

### CIVILIAN LABOR FORCE—Otero County

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Labor Force	26,009	25,778	25,506	26,051	26,447
Employment	24,376	23,997	23,804	24,414	24,799
Unemployment	1,633	1,781	1,702	1,637	1,648

*Source: New Mexico Department of Labor (4/14).*

### UNEMPLOYMENT

<u>Year</u>	<u>Otero County</u>	<u>New Mexico</u>	<u>United States</u>
2013	6.2%	6.9%	7.4%
2012	6.3%	7.1%	8.1%
2011	6.7%	7.6%	8.9%
2010	6.9%	8.0%	9.6%
2009	6.3%	7.0%	9.3%
2008	4.4%	4.5%	5.8%
2007	3.5%	3.4%	4.6%
2006	4.1%	4.1%	4.6%

*Source: New Mexico Department of Labor (4/14).*

**COVERED WAGE AND SALARY EMPLOYMENT**  
(Otero County)

The New Mexico Department of Labor uses the North American Industry Classification System or NAICS from the Standard Industry Classification.

<b><u>Industry Sector</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>
Agriculture	129	128	114	111	104
Mining	9	*	*	*	*
Utilities	111	110	116	116	120
Construction	1,159	1,159	1,076	983	986
Manufacturing		223	164	185	204
Wholesale trade	163	179	184	199	187
Retail trade	2,147	2,189	2,158	2,176	2,154
Transportation & warehousing	348	361	304	275	274
Information services	249	241	234	251	247
Finance & insurance	384	368	373	404	400
Real estate	149	151	129	126	124
Professional & technical services	754	754	755	737	862
Management of companies	*	*	*	*	*
Administrative & waste services	519	455	432	1,063	1,165
Educational services	44	50	24	230	216
Healthcare & social services	2,158	2,298	2,488	2,326	2,263
Arts, entertainment & recreation	*	*	71	80	71
Accommodations and food services	1,650	1,557	1,604	1,735	1,683
Other services	451	428	441	452	405
Unclassified	0	0	0	0	0
Government	<u>6,355</u>	<u>6,269</u>	<u>6,234</u>	<u>6,024</u>	<u>6,191</u>
Total	17,110	17,026	16,921	17,543	17,741

\* Non-disclosure of data due to confidentiality.

Source: New Mexico Department of Labor

**MAJOR EMPLOYERS - Otero County**

<b>Employers</b>	<b>Business</b>	<b>No. of Employees</b>
Holloman Air Force Base		
Military	Defense	4,653
Civilian	Defense	1,358
White Sands Missile Range		
Military	Research/Defense	508
Civilian	Research/Defense	5,703
German Air Force Training Center		
Military	Defense	670
Civilian	Defense	107
Alamogordo Public Schools	Education	787
Inn of the Mountain Gods	Resort	750
Walmart Supercenter	Retail	600
Gerald Champion Regional Medical Center	Medical	515

# **APPENDIX B**

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FORM OF CO-BOND COUNSEL'S OPINIONS

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**McCALL, PARKHURST & HORTON L.L.P.**

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700 N. ST. MARY'S STREET

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SAN ANTONIO, TEXAS 78205-3503

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

**\$1,500,000**

**ALAMOGORDO MUNICIPAL SCHOOL DISTRICT NO. 1  
EDUCATION TECHNOLOGY GENERAL OBLIGATION  
LEASE-PURCHASE CERTIFICATES OF PARTICIPATION,  
SERIES 2014A**

This opinion is being rendered in connection with the issuance of the referenced Certificates of Participation (the "Certificates") pursuant to a Trust Indenture, dated as of October 21, 2014 (the "Indenture"), among The Bank of Albuquerque, Albuquerque, New Mexico, as trustee (the "Trustee"), The New Mexico Public Schools Education Technology Assistance Foundation, LLC (the "Lessor") and Alamogordo Municipal School District No. 1 (the "Lessee"). The Certificates represent undivided interests of the Owners in the Taxable Rental Payments (the "Rent Payments") to be paid to the Lessor by the Lessee, pursuant to that certain Lease-Purchase Agreement (the "Lease"), dated as of October 21, 2014, by and between the Lessor and the Lessee. The Lessor has, pursuant to the Indenture, assigned the Rent Payments to the Trustee for the benefit of Owners of the Certificates. Unless otherwise indicated, capitalized terms used herein which are defined in the Indenture are intended to have the same meaning when so used herein as when used in the Indenture.

We have acted as Special Counsel in connection with the issuance of the Certificates. In that capacity, we have examined executed counterparts of the Indenture, the Lease and such other documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to this opinion, we have relied upon representations of the Lessee and the Lessor contained in the certified proceedings and other certifications of public officials without undertaking to confirm the same by independent investigation. We have assumed that all signatures on all documents submitted to us are genuine, that all documents submitted to us as originals are accurate and complete and that all documents submitted to us as copies are true and correct copies of the originals thereof. As to legal matters relating to the Lessor and the Trustee, including the due authorization, execution and delivery of the Indenture, the Lease and the Certificates by such parties, the assignment of the Rent Payments by the Lessor to the Trustee and the perfection of any security interest in the Rent Payments effected through the Indenture, and the binding nature and enforceability of the Indenture, the Lease and the Certificates and the obligations created thereby upon the Lessor and the Trustee, we have relied upon the opinion, dated of even date herewith of Cuddy & McCarthy, LLP, Santa Fe, New Mexico, counsel to the Lessor and certificates and representations of the Trustee of its authority and due authorization, execution and delivery of the Indenture.

Based on said examination, it is our opinion that the Lease and the Indenture have been authorized, issued and duly delivered in accordance with laws applicable to the Lessee, and, except as set forth below, constitute valid and binding obligations of the Lessee in accordance with their terms, and ad valorem taxes sufficient to provide for the payment of the Rent Payments due under the Lease have been levied and pledged by the Lessee in accordance with the Lease for such purpose, without limit as to rate or amount.

The opinions set forth in the foregoing paragraph hereof are qualified to the extent that the obligations of the Lessee under the Lease and the Indenture may be limited by laws applicable to the Lessee and equitable powers of courts relating to bankruptcy, reorganization and other matters affecting creditor's rights. In addition, we express no opinion with respect to the enforceability of any provision of the Lease against the Lessee in which the Lessee has undertaken to indemnify any person.

It is further our opinion that, except as discussed below, the component of each Rent Payment designated as interest and the portion of the payment on the Certificates which evidence such interest component ("Interest Component") under the Lease is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We further are of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended. In expressing the aforementioned opinions, we have relied on, and assume compliance by the Lessee, the Lessor and the Trustee with, certain representations and covenants regarding the use and investment of the proceeds of the Certificates. We call your attention to the fact that failure by the Lessee, the Lessor and the Trustee to comply with such representations and covenants may cause the Interest Component to become includable in gross income retroactively to the date of issuance of the Certificates.

We call your attention to the fact that the interest on tax-exempt obligations, such as the Interest Component, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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

In addition, the Interest Component of the Rent Payments relating to the Certificates is excluded from net income for New Mexico state income tax purposes.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences with respect to the receipt of the Interest Component, the Certificates or of acquiring, carrying, owning or disposing of the Certificates.

Our sole engagement in connection with the issuance of the Certificates is as Special Counsel for the Lessee, and, in that capacity, we have been engaged by the Lessee for the sole purpose of rendering an opinion with respect to the legality and validity of the Lease and the Indenture under the Constitution and laws of the State of New Mexico, and with respect to the exclusion from net income of the Interest Component on the Certificates for New Mexico income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Lessee, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Lessee as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Lessee. Our role in connection with the Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

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**CUDDY  
&  
McCARTHY**  
*A Limited Liability Partnership*

JOHN F. MCCARTHY, JR.  
JOHN F. KENNEDY  
M. KAREN KILGORE  
SANDRA J. BRINCK  
PATRICIA SALAZAR IVES  
AARON J. WOLF  
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EVELYN A. PEYTON  
YOUNG-JUN (JUN) ROH  
TIMOTHY W. FOSTER  
NANCY V. NIETO  
DAVID A. RICHTER  
GABRIELA M. STEWART

**REPLY TO SANTA FE OFFICE**

October 21, 2014

*An opinion in substantially the following form will be delivered by Cuddy & McCarthy, LLP, Special Counsel to Issuer, upon delivery of the Certificates of Participation, assuming no material changes in facts or law.*

**\$1,500,000 Education Technology General Obligation Lease-Purchase  
Certificates of Participation, Series 2014A**

This opinion is being rendered in connection with the issuance of the referenced Lease-Purchase Certificates of Participation ("Certificates") pursuant to a Trust Indenture ("Indenture") among BOKF, NA, dba Bank of Albuquerque, Albuquerque, New Mexico as trustee ("Trustee"), the New Mexico Public Schools Education Technology Assistance Foundation, LLC ("Lessor") and the Alamogordo Municipal School District No. 1 ("Lessee"). The Certificates represent undivided interests of the Owners in the rental payments ("Rental Payments") to be paid to the Lessor by the Lessee, pursuant to that certain Lease-Purchase Agreement ("Lease"), dated as of October 21, 2014, by and between the Lessor and the Lessee. Pursuant to the Indenture, the Lessor has assigned the Rental Payments to the Trustee for the benefit of Owners of the Certificates. Unless otherwise indicated, capitalized terms used herein, which are defined in the Indenture, are intended to have the same meaning when so used herein as when used in the Indenture.

We have acted as Special Counsel to the Lessee in connection with the issuance of the Certificates. In that capacity, we have examined the Lessee's executed resolutions adopted on August 20, 2014 and September 17, 2014 relating to the Lease and the Indenture, the counterparts of the Indenture, the Lease, and such other documents and matters as we have deemed necessary to render this opinion. As to questions of fact material to this opinion, we have relied upon representations of the Lessee and the Lessor contained in the certified proceedings and other certifications of public officials without undertaking to confirm the same by independent investigation. We have assumed that all signatures on all documents submitted to us are genuine, that all documents submitted to us as originals are accurate and complete, and that all documents submitted to us as copies are true and correct copies of the originals thereof. As to legal matters relating to the Trustee, including the due authorization,

October 21, 2014  
Page 2

execution, and delivery of the Indenture and the Certificates by such party, and the perfection of any security interest in the Rental Payments effected through the Indenture, and the binding nature and enforceability of the Indenture and the Certificates and the obligations created thereby upon the Trustee, we have relied upon the certificates and representations of the Trustee of its authority and due authorization, execution, and delivery of the Indenture.

Based on said examination, it is our opinion that:

1. The Lease and the Indenture have been authorized, issued, and duly delivered in accordance with laws applicable to the Lessee and, except as set forth below, constitute valid and binding obligations of the Lessee in accordance with their terms, and ad valorem taxes sufficient to provide for the payment of the Rental Payments due under the Lease have been levied and pledged by the Lessee in accordance with the Lease for such purpose, without limit as to rate or amount.

2. The issuance and delivery of the Certificates to the Owners has been duly authorized by the Lessee. The Certificates constitute valid and binding obligations of the Trustee in accordance with their terms.

3. The opinions set forth in the foregoing paragraph are qualified to the extent that the obligations of the Lessee under the Lease and the Indenture may be limited by laws applicable to the Lessee and equitable powers of courts relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights. In addition, we express no opinion with respect to the enforceability of any provision of the Lease against the Lessee in which the Lessee has undertaken to indemnify any person.

4. It is further our opinion that the "Interest Component" of the Rental Payments relating to the Certificates is excluded from base income for New Mexico state income tax purposes.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences with respect to the receipt of the Interest Component, the Certificates, or of acquiring, carrying, owning, or disposing of the Certificates.

Respectfully,

## **APPENDIX C**

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### **EXCERPTS FROM THE LEASE AND THE INDENTURE**

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## ARTICLE I: DEFINITIONS

Section 1.01. Definitions. (a) Unless the context otherwise requires, the terms used in this Trust Indenture shall have the same meanings as provided in the Lease.

(b) In addition, unless the context otherwise requires, the terms defined in this subsection shall, for all purposes of this Trust Indenture, have the meanings herein specified.

"Acquisition Costs" means, with respect to any item of the Property, the contract price paid or to be paid therefor upon acquisition or purchase thereof in accordance with a purchase order or contract therefor. Acquisition Costs also include the administrative, engineering, legal, financial and other costs incurred by the Lessee and the Lessor in connection with the acquisition, purchase or financing of the Property, including the Costs of Issuance and other costs financed from the proceeds of the Certificates relating to such item to the extent permitted by the Act.

"Act" means the Education Technology Equipment Act, NMSA 1978, §§ 6-15A-1 through 6-15A-16.

"Acquisition Fund" means the fund by that name established and held by the Trustee pursuant to Article III hereof.

"Business Day" means any day except a Saturday, Sunday, holiday or day on which banking institutions in Albuquerque, New Mexico, or the city in which the principal corporate trust office of the Trustee or the Place of Payment is located are closed.

"Certificates" means all of the certificates representing participation interests in the Rent Payments due under the Lease, styled "Education Technology General Obligation Lease- Purchase Certificates of Participation, Series 2014" issued, executed and delivered pursuant hereto.

"Code" means the Internal Revenue Code of 1986, as amended.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Lessee or the Lessor relating to the financing of Property from the proceeds of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, legal fees and charges, financial and other professional consultant fees, premiums for bond insurance, costs of rating agencies or credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

"Event of Default" means an event of default under the Lease, as defined in Section 8.1 thereof.

"Governmental Obligations" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

"Indenture" means this agreement entitled "Trust Indenture," dated as of October 21, 2014, among the Trustee, the Lessor, and the Lessee, together with any amendments hereof or supplements hereto permitted to be made hereunder.

"Lease" means the Lease Agreement, dated as of October 21, 2014, by and between Lessor and Lessee.

"Lessee" means the Alamogordo Municipal School District No. 1, a municipal school district under the laws of the State of New Mexico.

"Lessee Representative" means the Superintendent or the Finance Director of the Lessee or any other person authorized by the governing body of the Lessee to act on behalf of the Lessee under or with respect to the Lease.

"Lessor" means the New Mexico Public Schools Education Technology Assistance Foundation, LLC, a New Mexico corporation, and any successor thereto by merger, acquisition or otherwise.

"Lessor's Representative" means the President or Vice President of the Lessor or any other person authorized by the Lessor to act on behalf of the Lessor under the Lease.

"Outstanding", when used as of any particular time with respect to the Certificates, means all Certificates executed and delivered by the Trustee under this Indenture except the following:

(1) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(2) Certificates for the payment of which funds or Governmental Obligations in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity date of such Certificates) and in accordance with Section 14.02, hereof; and

(3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.08 hereof.

"Owner" or "Certificate Owner" or "Owner of a Certificate," or any similar term, means the person in whose name such Certificate shall be registered.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for moneys proposed to be invested therein by school districts:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America);

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association ("GNMA"), U.S. Department of Housing & Urban Development ("FHA's"), Federal Housing Administration;

(c) Senior debt obligations rated "AAA" by Standard & Poor's Ratings Group ("S&P") and "AAA" by Moody's Investors Service ("Moody's") issued by the Fannie Mae or the Federal

Home Loan Mortgage Corporation;

(d) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term debt on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase;

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(g) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) (i) which are rated, based on an irrevocable escrow account or fund ("Escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Governmental Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"Place of Payment" means the office of the Trustee located in Albuquerque, New Mexico.

"Property" means the education technology equipment described in the Lease.

"Rebate Fund" means the fund by that name established and held by the trustee pursuant to Article VII hereof.

"Record Date" means the date upon which ownership of a Certificate shall be determined by reference to the certificate register maintained by the Trustee for purposes of making an interest payment on such Certificate, which date shall be the fifteenth day of the month preceding a month in which interest payments are due with respect to the Certificates.

"Related Documents" means the Certificates, this Indenture, and the Lease.

"Rent Payment" means the payment or payments due from the Lessee to the Lessor in accordance with Section 4.4 of the Lease.

"Rent Payment Date" means the dates on which Rent Payments are due under the Lease

as therein provided.

"Rent Payment Fund" means the fund by that name established and held by the Trustee pursuant to Article V hereof.

"Responsible Officer" when used with respect to the Trustee means the chair or vice chair of the board of directors of the Trustee, the chair or vice chair of the executive committee of said board, the president or any vice president, the secretary or any assistant secretary, the treasurer or any assistant treasurer, the cashier or any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"State" means the State of New Mexico.

"Trustee" means BOKF, N.A., dba Bank of Albuquerque, or any successor thereto acting as Trustee pursuant hereto.

### **ARTICLE III: ACQUISITION FUND**

Section 3.01. Acquisition Fund. The Trustee will establish a special fund designated as the "Acquisition Fund" for the Certificates delivered hereunder; will keep such fund separate and apart from all other funds and moneys held by the Trustee; and will administer such fund as herein provided. The Acquisition Fund shall be held and applied by the Trustee in accordance herewith.

Section 3.02. Purpose. Moneys in the Acquisition Fund shall be expended for (a) the Acquisition Costs of the Property to be acquired with the proceeds of the Certificates and (b) the Costs of Issuance of the Certificates.

Section 3.03. Deposit of Funds; Payment of Acquisition Costs. There will be credited to the Acquisition Fund all proceeds of sale of the Certificates (except accrued interest, which will be deposited into the Rent Payment Fund) and any other funds from time to time deposited with the Trustee for such purposes. Moneys in the Acquisition Fund shall be disbursed as follows:

(a) In the case of payment of Costs of Issuance for the Certificates, the Trustee will disburse moneys in the Acquisition Fund only upon a requisition signed by the Lessor Representative and bearing the consent of the Lessee, setting forth the amounts to be disbursed for payment or reimbursement of the Costs of Issuance for the Certificates and the person or persons to whom such amounts are to be disbursed, and stating that the amounts to be disbursed are for Costs of Issuance for the Certificates properly chargeable to the Acquisition Fund.

(b) In the case of any other Acquisition Costs, the Trustee shall disburse moneys in the Acquisition Fund from time to time upon receipt by the Trustee of Certificate of Acceptance signed by the Lessor Representative and Lessee Representative in substantially the form of Exhibit C to the Lease.

The Trustee shall be responsible for the safekeeping of the moneys held in such Acquisition Fund in accordance with the terms of this Indenture and the payment of such moneys in accordance with this Section and Section 3.2 of the Lease.

Section 3.04. Transfers of Unexpended Proceeds. Upon the earlier of (a) the filing with the Trustee of the Certificate of Acceptance pursuant to Section 3.4 of the Lease, or (b) three years from the date of the Certificates, the Trustee shall withdraw all remaining moneys in the Acquisition Fund (other than any moneys, if any, retained therein to pay Acquisition Costs not then due and payable) and deposit such moneys in the Rent Payment Fund to be applied, at the written direction of the Lessee Representative filed with the Trustee, either (y) to pay any portion of any Rent Payments relating to Property acquired with the proceeds of the Certificates thereafter coming due, or (z) to repay any Rent Payments relating to the Property acquired with the proceeds of the Certificates pursuant to Article IX of the Lease.

## **ARTICLE V: RENT PAYMENTS; RENT PAYMENT FUND**

Section 5.01. Assignment of Rights in Lease. Lessor hereby assigns to the Trustee the Lessor's rights to receive and collect all of the Rent Payments under the Lease, and all other amounts required to be deposited pursuant to the Lease or pursuant hereto in the Rent Payment Fund established and held in trust for the benefit of the Owners of the Certificates. All such Rent Payments, and such other amounts to which the Lessor may at any time be entitled shall be paid directly to the Trustee, and Lessee hereby agrees to make such payments directly to the Trustee, and all Rent Payments collected or received by the Lessor shall be deemed to be held and to have been collected or received by the Lessor as the agent of the Trustee, and if received by the Lessor at any time shall be deposited by the Lessor with the Trustee within one business day after the receipt thereof, and all such Rent Payments, and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Rent Payment Fund.

Section 5.02. Establishment of Rent Payment Fund. The Trustee shall establish a special fund designated as the "Rent Payment Fund" for the Certificates. All moneys at any time deposited by the Trustee in the Rent Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of such Certificates. So long as any of such Certificates are Outstanding, neither the Lessee nor the Lessor shall have any beneficial right or interest in the Rent Payment Fund or the moneys deposited therein, except only as provided in this Indenture, and such moneys shall be used and applied by the Trustee as set forth herein.

Section 5.03. Deposits. There shall be deposited in the Rent Payment Fund all Rent Payments received by the Trustee relating to the Certificates and the related Property, including any moneys received by the Trustee for deposit therein pursuant to Sections 3.4, 4.4 or Articles VIII or IX of the Lease and any other moneys required to be deposited therein pursuant to the Lease or pursuant to this Indenture.

Section 5.04. Application of Moneys. All amounts in the Rent Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the components of principal of, premium, if any, and interest relating to the Certificates as the same shall become due and payable, in accordance with the provisions of Article II hereof.

Section 5.05. Surplus. Any surplus remaining in a Rent Payment Fund, after payment of all Certificates, including premiums and accrued interest (if any), and payment of any applicable fees to the Trustee, or provision for such payment having been made to the satisfaction of the Trustee, shall, upon receiving indemnification satisfactory to the Trustee, be withdrawn by the Trustee and remitted to the Lessee.

## **ARTICLE VII: TAX COVENANTS**

### **Section 7.01. Covenant Not to Impair Tax Status of Certificates.**

(a) The Lessor will not take, nor permit nor suffer to be taken, nor fail to take, any action within its control which action or failure to act would impair the exclusion, if applicable with respect to the Certificates, from gross income for federal income tax purposes of the interest component of the Rent Payments, including the calculation and payment of any rebate necessary to preserve the exclusion, if applicable, from gross income for federal income tax purposes of the interest component of the Rent Payments received by the Owners. Neither the Lessor nor the Lessee will permit or direct the investment of any proceeds of the Rent Payments in such a manner that would result in the Lease being characterized as an "arbitrage bond" under Section 148 of the Code and the Lessor will not permit or direct the investment of any of the proceeds of the Certificates in such a manner that would result in the Certificates being characterized as "arbitrage bonds" under Section 148 of the Code. The Lessor and the Lessee will comply with the provisions of the federal tax certificate and the exhibits thereto executed by the Lessee which relates to the Certificates. The Lessor agrees to direct the Trustee with respect to actions to be taken or refrained from so that the Trustee may comply with the covenants set forth in Section 7.01(c) hereof.

(b) The Trustee will establish a custodial fund, with respect to the Certificates, for the benefit of the United States of America to be called the "Rebate Fund." The Rebate Fund is not subject to the lien of this Indenture and does not constitute part of the trust estate created hereby. Amounts in the Rebate Fund will be held uninvested and shall be remitted to the U.S. Department of the Treasury, all as more specifically provided in the Lease, or otherwise as directed in writing by the Lessee. The Trustee will not be responsible for calculating the amount to be rebated to the U.S. Department of the Treasury, such calculations to be the responsibility of the Lessee.

(c) The Trustee, at the written direction of the Lessor, will take such action (including but not limited to the making of such filings with the Internal Revenue Service as may be required by the Code) or will refrain from taking any action which would: (i) adversely affect the tax-exempt status of the trust created by this Indenture; or (ii) cause the Owners of the Certificates not to be deemed owners of an undivided interest in the Lease. In the absence of written direction from the Lessor regarding such matters, the Trustee shall have no duty with respect thereto.

## **ARTICLE VIII: MONEYS IN FUNDS; INVESTMENT**

Section 8.01. Held in Trust. The moneys and investments held by the Trustee in the Rent Payment Fund and the Acquisition Fund established under this Indenture are irrevocably held in trust for the benefit of the Owners of the Certificates, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, will be expended only as provided in this Indenture, and will not be subject to levy or attachment or lien by or for the benefit of any creditor of either the Lessor, the Trustee or the Lessee or any Owner of Certificates, or any of them.

Section 8.02. Investments Authorized. Moneys held by the Trustee hereunder will be invested and reinvested by the Trustee in Permitted Investments only upon receipt of written instructions from the Lessee Representative, or telephone instructions, confirmed in writing, specifying the Permitted Investments. Such investments will be registered in the name of the Trustee for the benefit of the Certificate Owners and held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. Such investments and reinvestments will be made giving full consideration for the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making

or disposing of any investment. The Trustee may assume that each Permitted Investment is permitted by applicable law and will not be required to make any investigation with respect thereto.

The Trustee may, and upon the written request of the Lessee Representative will, commingle any of the funds held by it pursuant to this Indenture into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder will be accounted for separately notwithstanding such commingling by the Trustee.

Section 8.03. Disposition of Investments. Any income, profit or loss on the investment of moneys held by the Trustee hereunder will be credited to the respective fund for which it is held.

Section 8.04. Trustee Not Responsible. The Trustee will furnish to the Lessor and the Lessee, no less than annually, an accounting of all investments made by the Trustee. The Trustee will not be liable or responsible for any loss resulting from any such investment; except that the Trustee will be liable for (i) any loss resulting from its willful or negligent failure, within a reasonable time after receiving the direction, confirmed in writing, from the Lessee Representative to make, redeem or sell any investment in the manner provided for herein, and (ii) for any loss resulting from the making, redeeming or selling of any investment which was not authorized by the Lessee Representative or was not a Permitted Investment. If the Trustee is unable, after reasonable effort and within a reasonable time, to make, redeem or sell any such investment, it will so notify in writing the Lessor Representative and thereafter the Trustee will be relieved of all responsibility with respect thereto.

Section 8.05. Valuation and Disposition of Investments. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund will be valued at the lower of cost (exclusive of accrued interest after the first interest payment following purchase) or market value. The value of any investment will be calculated as of the end of each month. The Trustee may sell at the best price obtainable, or present for redemption, any Permitted Investment so purchased by the Trustee whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment.

## **ARTICLE IX: THE TRUSTEE**

Section 9.01. Appointment of Trustee. BOKF, N.A. dba Bank of Albuquerque, is hereby appointed Trustee by the Lessor for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use, invest and apply the same as provided in this Indenture. The Trustee will also serve as paying agent and registrar for the Certificates. The Lessor agrees that it will maintain a Trustee with a combined capital and surplus of at least Twenty Five million dollars (\$25,000,000), and subject to supervision or examination by Federal or state banking authority, so long as any Certificates are Outstanding. If such bank or trust company published a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 9.01, the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee will cease to be eligible in accordance with the provisions of this Section, it will resign in the manner and with the effect specified in this Article, provided no Trustee may resign until a successor has been appointed and accepted the duties of the Trustee in accordance with the terms of this Article IX.

The Trustee is hereby authorized to redeem the Certificates when duly presented for payment at maturity or redemption and to cancel all Certificates upon payment thereof. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged. The Trustee will be compensated for its services rendered pursuant to the provisions of this Indenture.

The Lessor may remove the Trustee initially appointed, and any successor thereto, and the Lessor may appoint a successor or successors thereto; provided that any such successor will be a bank or trust company meeting the requirement set forth in this Section 9.01.

The Trustee may at any time resign by giving written notice to the Lessor and the Lessee. Upon receiving such notice of resignation, the Lessor will promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Lessor will notify the predecessor trustee in writing of such acceptance and will give the Certificate Owners notice thereof by mail. Furthermore, in the event that no appointment of a successor Trustee will be made by the Lessor within 30 days after the Trustee gives written notice of resignation or the Trustee is removed, any retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it shall deem proper, prescribe or appoint a successor Trustee.

#### Section 9.02. Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default of which the Trustee has notice or knowledge pursuant to the provisions of this Indenture:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee pursuant to the requirements of this Indenture.

(b) In case an Event of Default of which the Trustee has notice or knowledge hereunder has occurred and is continuing, the Trustee will exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(c) No provision of this Indenture will be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, bad faith, or its own willful misconduct, except that

(i) this Subsection will not be construed to limit the effect of Subsection (a) of this Section 9.02;

(ii) the Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Outstanding Certificates, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; and

(iv) no provision of this Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it will have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not expressly so provided, every provision of this Indenture relating to the conduct or effecting the liability of or affording protection to the Trustee will be subject to the provisions of this Section 9.02.

Section 9.03. Liability of Trustee. The recitals of facts, covenants and agreements herein and in the Certificates will be taken as statements, covenants and agreements of the Lessor and the Lessee (except with respect to the Certificates, as to which the Lessee makes no covenants or agreements), and the Trustee assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Indenture or of the Certificates nor will incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon the Trustee. The Trustee will not be responsible or accountable for the disposition, use or application of the Certificates authenticated and delivered in accordance with this Indenture or the proceeds thereof, or for the disposition, use or application of any monies disbursed by the Trustee in accordance with the provisions of this Indenture.

Section 9.04. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company will be eligible under Section 9.01 hereof, will be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 9.05. Protection and Rights of the Trustee. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any opinion, resolution, notice, telegram, request, consent, waiver, certificates, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture or the Lease, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee will not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such Certificate will be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate will be furnished to the Trustee. The Trustee may consult with counsel, who may be counsel to the Lessee or the Lessor, and accountants with regard to legal or accounting questions and the opinion of such counsel or accountants will be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith in reliance thereon.

Whenever in the administration of its duties under this Indenture, the Trustee will deem it necessary or desirable that a matter be proved or established prior to its taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) will be deemed to be conclusively proved and established by a certificate of the Lessee Representative or the Lessor Representative and such certificate will be full warranty to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as may seem reasonable to it.

The Trustee may become the Owner of Certificates with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the Lessee or the Lessor with the same rights it would have if it were not the Trustee; and may act as a depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificates then Outstanding.

Section 9.06. Additional Rights of the Trustee. Except as otherwise provided in Section 9.02:

(a) the Trustee will be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Owners of the Certificates unless such Owners will have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(b) the Trustee will not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document received by the Trustee; provided, however, in its discretion the Trustee may make such investigation;

(c) the Trustee may execute any of the trust or other powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys, may in all cases pay such reasonable compensation as it will deem proper to such agents and attorneys as may reasonably be required and employed or retained, and will not be liable for any negligence or willful misconduct on the part of any attorney employed or retained by it with due care;

(d) the Trustee will not be required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture;

(e) no personal recourse may be taken, directly or indirectly, against any incorporator, officer, director, agent or employee of the Trustee, the Lessor or the Lessee or any predecessor of either of them, with respect to the obligations of the Trustee, the Lessor or the Lessee under this Indenture or any certificate or other writing delivered in connection herewith;

(f) the Trustee will be under no liability for interest on any monies received by it hereunder except as may otherwise be agreed in writing with the Lessor;

(g) the Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties and functions under this Indenture will extend to the Trustee's officers, directors, employees and agents;

(h) the Trustee's immunities and protections from liability and its right to payment of compensation and indemnification in connection with performance of its duties and functions under this Indenture will survive the Trustee's resignation or removal and the final payment of the Certificates; and

(i) the Trustee will not be deemed to have knowledge of any Event of Default, except that occurring under Section 8.1(1) of the Lease, unless a Responsible Officer in the corporate trust department has actually received notice of such default in writing from the Owner of any Certificate, specifying such default and referencing this Indenture.

**Section 9.07 Compensation, Reimbursement and Indemnification.** The Lessor agrees:

(a) to pay, within 30 days of receipt of an invoice from the Trustee, to the Trustee from time to time reasonable compensation for all services rendered by it hereunder, which compensation will not be limited by any provision of law in regard to the compensation of a trustee of an express trust;

(b) except as otherwise provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture, including the reasonable compensation and the expenses and disbursements of its agents and counsel, except any such expense, disbursement or advance as may be attributable to the Trustee's negligence or bad faith; and

(c) Subject to the limitations and exceptions in the New Mexico Tort Claims Act, NMSA 1978, §§ 41-4-1 to 41-4-27, and to the extent it otherwise lawfully may, Lessee will indemnify, defend and hold the Trustee harmless against any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trusts hereunder, including the costs and expenses of defending against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

## **ARTICLE X: MODIFICATION OR AMENDMENT OF AGREEMENTS**

Section 10.01. Amendments Permitted. This Indenture, with respect to the rights and obligations of the Owners of the Certificates, and the Lease and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which will become effective when the written consents of the Owners of sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, will have been filed with the Trustee. No such modification or amendment will (a) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Certificate, or (b) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Lease or (c) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement will become effective as provided in Section 10.02 hereof.

This Indenture with respect to the rights and obligations of the Owners of the Certificates, and the Lease and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law, and only (a) to cure, correct or supplement any ambiguous or defective provision contained herein or therein in a manner not inconsistent with the terms hereof or thereof or (b) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which will not adversely affect the interest of the Owners of such Certificates. Any such supplemental agreement will become effective upon execution and delivery by the parties hereto or thereto as the case may be.

Section 10.02. Procedure for Amendment with Written Consent of Certificate Owners. This Indenture, with respect to the rights and obligations of the Owners of the Certificates, or the Lease, may be amended by supplemental indenture as provided in this Section 10.02 in the event the consent of the Owners of such Certificates, is received if required pursuant to Section 10.01 hereof. A copy of such supplemental indenture, together with a request to such Certificate Owners for their consent thereto, will be mailed by the Trustee to the Owner of any Certificate at its address as it appears on the registration books maintained by the Trustee and to the Lessee, but failure to mail copies of such supplemental indenture and request will not affect the validity of the supplemental indenture when assented to as in this Section provided. Notice of the fact of the adoption of such supplemental indenture (stating that a copy thereof is available for inspection at the office of the Trustee) will be mailed to the Owner of each Certificate stating in substance that such supplemental indenture has been consented to by the Owners of the required percentage of the Certificates and will be effective as provided in this Section (but failure to mail copies of such notice will not affect the validity of such supplemental indenture or consents thereto).

Such supplemental indenture will not become effective unless there will be filed with the Trustee the written consents of the Owners of sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding and a notice will have been given as hereinafter in this Section provided. Each such consent will be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof will be such as is permitted by Section 2.10 hereof. Any such consent will be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice hereinafter in this Section provided for has been given.

A record, consisting of the papers required by this Section 10.02 to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved. Such supplemental indenture will become effective upon the mailing of the notice of adoption by the Trustee, and such supplemental indenture will thereafter be conclusively binding upon the parties hereto and the Owners of all Certificates.

Section 10.03. Effect of Supplemental Indenture. From and after the time any supplemental indenture becomes effective pursuant to this Article X, this Indenture or the Lease, as the case may be, will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of the affected Certificates Outstanding, as the case may be, will thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental indenture will be deemed to be part of the terms and conditions of this Indenture with respect to the Certificates or the Lease, as the case may be, for any and all purposes.

With regard to any modification, amendment or supplement of the Related Documents, the Trustee will be entitled to receive an opinion of Special Counsel that such modification, amendment or supplement: (a) is authorized or permitted by the Related Documents; (b) that all conditions precedent thereto have been complied with or waived; and (c) if the consent of the Certificate Owners is not sought for such modification, amendment or supplement, that such modification, amendment or supplement will not adversely affect the interests of the Certificate Owners.

Section 10.04. Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in this Article X will bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any affected Certificate Outstanding at such effective date and presentation of his or her Certificate for the purpose at the office of the Trustee, a suitable notation will be made on such Certificate. The Trustee may determine that new Certificates, so modified as in the opinion of the Trustee is necessary to conform to such Certificate Owners' action, will be prepared, executed and delivered. In that case, upon demand of the Owner of any certificate then Outstanding, such new Certificate will be exchanged in the principal office of the Trustee or such other office of the Trustee designated by the Trustee for such purpose, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

### **ARTICLE XIII: EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS**

Section 13.01. Assignment of Rights. The Lessor hereby transfers, assigns and sets over to the Trustee certain of the Lessor's rights under the Lease, including without limitation the Lessor's rights to exercise such rights and remedies conferred on the Lessor pursuant to the Lease as may be necessary or convenient (a) to enforce payment of Rent Payments to be made under the Lease, and any other amounts required to be deposited in a Rent Payment Fund, or (b) otherwise to protect the interests of the Lessor or the Trustee in an Event of Default.

Section 13.02. Remedies. If an Event of Default will happen, then, and in each and every case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted to the Lessor pursuant to the Lease.

Section 13.03. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XIII or of Article VIII of the Lease will be applied by the Trustee in the following order upon presentation of the several Certificates, only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the reasonable fees, costs and expenses due to the Trustee including reasonable compensation to its or their agents, attorneys and counsel;

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for interest, and in case such moneys will be insufficient to pay in full the whole amount of interest so owing and unpaid with respect to the Certificates, then to the payment of such interest, ratably to the aggregate amount of such interest then owing;

Third, to the payment of the whole amount then owing and unpaid with respect to the Certificates or principal, and in case such moneys will be insufficient to pay in full the whole amount of principal so owing and unpaid with respect to the Certificates, then to the payment of such principal ratably to the aggregate amount of such principal then owing; and

Fourth, remaining amounts will be paid over to the Lessee.

Section 13.04. Institution of Legal Proceedings. If one or more Events of Default will happen and be continuing with respect to the Lease, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee, will deem most effectual in support of any of their rights or duties hereunder.

Section 13.05. Non-waiver. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default will impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XIII to the Trustee or to the Owners of Certificates may be exercised from time to time and as often as will be deemed expedient by the Trustee or the Certificate Owners .

Section 13.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and will be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 13.07. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion, or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it will have full power in the exercise of its discretion for the best interests of the Owners of such Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Certificates Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 13.08. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate issued hereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner will have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates then outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) such Owners will have tendered to the Trustee reasonable indemnity against the costs, expense and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of 60 days after such written request, will have been received by, and such tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared,

in every case, to be conditions precedent to the exercise by any Owner of any Certificate of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates will have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of such Owner's proportionate interest in the Rent Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section 13.08 or any other provision of this Indenture.

## **EXCERPTS FROM THE LEASE**

### **ARTICLE II: REPRESENTATIONS, COVENANTS AND WARRANTIES**

Section 2.1. Representations, Covenants and Warranties of the Lessee. The Lessee represents, covenants, and warrants to the Lessor as follows:

(a) Lessee has full power and authority to execute, deliver, and perform under this Lease; all required procedures with respect to Lessee's execution, delivery, and performance of this Lease have been (or will be) complied with properly and in a timely manner; the execution, delivery, and performance of this Lease by Lessee have been duly authorized by Lessee and are not in contravention of any applicable laws or the terms of any other agreement to which Lessee is a party; this Lease evidences a valid and binding obligation of Lessee enforceable in accordance with its terms; and the Rent Payments are contractual obligations of the Lessee within the meaning of Section 6-15A-8 of the Act.

(b) There are no pending or threatened actions, suits, proceedings, or investigations contesting the authority for execution, delivery, or performance of, or expenditure of funds pursuant to this Lease.

(c) Information supplied and statements made or to be made by Lessee in any financial statement or current budget prior to or contemporaneously with this Lease and in any offering materials relating to the sale of the Certificates are now, and will be true and correct on the Closing Date, and do not and will not omit to state any material facts required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.

(d) Lessee has immediate need for, and expects to make immediate use of, substantially all of the Property being leased under this Lease, which need, at the time of approval of this Lease, is not temporary or expected to diminish in the foreseeable future.

(e) Lessee has received a copy of the Trust Indenture and has reviewed the terms and provisions thereof and such terms are acceptable to the Lessee.

Section 2.2. Representations, Covenants and Warranties of the Lessor. The Lessor represents, covenants, and warrants to the Lessee as follows:

(a) Organization and Good Standing. The Lessor is a New Mexico not for profit limited liability corporation duly organized, existing, and in good standing under and by virtue of the laws of

the State; has power to enter into this Lease, and the Trust Indenture; has full power to own, hold, finance and furnish Property in accordance herewith and with the Trust Indenture and to lease and sell the same; and has duly authorized the execution and delivery of all such agreements.

(b) No Other Pledge of Rent Payments. The Lessor will not pledge the Rent Payments or other amounts derived from the Property and from its other rights under this Lease and will not mortgage or encumber the Property, except as provided under the terms hereof and the Trust Indenture.

(c) No Conflicts. Neither of the execution and delivery of this Lease nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Lessor is now a party or by which the Lessor is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge, or encumbrance whatsoever upon any of the property or assets of the Lessor or upon the Property, except as provided under the terms hereof.

(d) Assignments. Except as provided in the Trust Indenture and in this Lease, the Lessor will not assign this Lease, its right to receive Rent Payments for the Property from the Lessee or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants, and warranties contained in this Section 2.1.

(e) Legal Proceedings. There is no action, proceeding or investigation by or before any court, governmental or administrative agency or arbitrator against or affecting the Lessor, or any properties or rights of the Lessor, pending or, to the Lessor's knowledge after reasonable inquiry, threatened with respect to the Lessor.

(f) Valid and Binding Obligations. The Related Documents, when executed and delivered by the Lessor, will constitute the legal, valid, and binding obligations of the Lessor enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights generally and general equitable principles.

(g) Related Documents. Each of the representations and warranties of the Lessor contained in the Related Documents is true and correct in all material respects.

(h) Agreements of Lessor. The Lessor hereby agrees that during the Term of this Lease:

(i) The Lessor shall perform each of its obligations under the Related Documents and comply with all material requirements of any law, rule, or regulation applicable to it.

(ii) The Lessor shall maintain its corporate existence and shall at all times continue to be duly organized under the laws of the State and duly qualified and duly authorized and shall conduct its business in accordance with the terms of its Articles of Incorporation and Bylaws, provided that Lessor may assign its rights, not otherwise assigned to the Trustee under this Lease and the Trust Indenture, and obligations under this Lease to a not for profit corporation organized for the same limited purposes as Lessor.

(iii) The Lessor shall keep or cause to be kept, in reasonable detail, books and records of account of the Lessor's assets and business.

(i) Notice of Material Events. During the Term of this Lease, the Lessor shall promptly inform the Lessee in writing of the occurrence of any of the following:

(i) any change in the location of Lessor's principal office or any change in the location of the Lessor's books and records;

(ii) the occurrence of any default or event of default under this Lease;

(iii) the commencement or threat of any rule making or disciplinary proceedings or any proceedings instituted by or against the Lessor in any federal, state or local court or before any governmental body or agency, or before any arbitration board;

(iv) the commencement of any proceedings by or against the Lessor under any applicable bankruptcy, reorganization, liquidation, rehabilitation, insolvency, or other similar law now or hereafter in effect or of any proceeding in which a receiver, liquidator, conservator, trustee, or similar official shall have been, or may be, appointed or requested for the Lessor or any of its assets; or

(v) the receipt of notice that (A) the Lessor is being placed under regulatory supervision, (B) any license, permit, charter, registration, or approval necessary for the conduct of the Lessor's business is to be, or may be, suspended or revoked, or (C) the Lessor is to cease and desist any practice, procedure, or policy employed by the Lessor in the conduct of its business.

(j) Maintenance of Licenses. During the Term of this Lease, the Lessor shall maintain all licenses, permits, charters, and registrations which are material to the conduct of its business and the performance of its obligations under the Related Documents.

(k) Negative Covenants of the Lessor. The Lessor hereby agrees that during the Term of this Lease:

(i) The Lessor shall not create, incur, or suffer to exist any indebtedness.

(ii) The Lessor shall not (A) create, incur, or suffer to exist, or agree to create, incur or suffer to exist, or consent to cause or permit in the future (upon the happening of a contingency or otherwise) the creation, incurrence, or existence of any Lien or restriction on the Rent Payments other than the Lien in favor of the Trustee, for the benefit of the Owners or (B) sign or file under the Uniform Commercial Code of any jurisdiction any financing statement which names the Lessor as a debtor, or sign any security agreement authorizing any secured party thereunder to file such financing statement, with respect to the Rent Payments, except in each case any such instrument solely securing the rights and preserving the Lien of the Trustee, for the benefit of the Owners.

(iii) The Lessor shall not (A) take any action, or fail to take any action, if such action or failure to take action may interfere with the enforcement of any rights under the Related Documents that are material to the rights, benefits, or obligations of the Trustee or the Owners, (B) waive or alter any rights with respect to the Transaction (or any agreement or instrument relating thereto); (C) take any action, or fail to take any action, if such action or failure to take action may interfere with the enforcement of any rights with respect to the Transaction; or (D) fail to pay any tax, assessment, charge, or fee with respect to the Transaction, or fail to defend any action, if such failure to pay or defend may adversely affect the priority or enforceability of the Owners' first priority

lien on or perfected security interest in the Rent Payments.

### **ARTICLE III: DEPOSIT OF MONEYS; ACQUISITION OF THE PROPERTY**

Section 3.1. Deposit of Moneys. Pursuant to the Trust Indenture, on the Closing Date, the Lessor shall cause to be deposited with the Trustee in the Acquisition Fund all of the proceeds derived from the sale of Certificates (except for accrued interest, which shall be deposited into the Rent Payment Fund) and such amounts shall be used to pay the Acquisition Cost of Property.

Section 3.2. Acquisition of the Property. The Lessor agrees to the acquisition of the Property set forth in Exhibit A and pursuant to the requirements of the Lessee, provided that, within the limits of the amounts on deposit in the Acquisition Fund, Lessee and Lessor may agree to substitute other education technology equipment qualifying for financing pursuant to the Act for any item of Property. The Lessor hereby authorizes the Lessee to enter into one or more contracts or purchase orders providing for the use, acquisition, and purchase of the Property. Lessor will take such actions as may be necessary to cause the Property to be delivered to Lessee. Lessee agrees that upon acquisition of any item of the Property it will take possession of that item of the Property under the terms and provisions of this Lease.

Upon substantial completion of acquisition of each item of financed Property in a manner reasonably satisfactory to Lessee, Lessee shall deliver to Lessor a Certificate of Acceptance in substantially the form attached hereto as Exhibit C with respect to such Property, at which time the Lessor shall execute the acknowledgment in the Certificate and forward the Certificate of Acceptance to the Trustee which shall constitute directions for the Trustee to make payment to the person entitled to payment, pursuant to Section 3.03(b) of the Trust Indenture. Upon the Closing Date and the delivery of the Certificates by the Trustee, or as soon thereafter as may be practicable, Lessor shall direct Trustee to disburse amounts on deposit in the Acquisition Fund to pay Costs of Issuance pursuant to Section 3.03(a) of the Trust Indenture, provided that Lessee shall have consented in writing to the disbursement instructions.

Notwithstanding the foregoing, the Lessee acknowledges that Certificates are to be sold for the purpose of financing the acquisition and use of Property, and there shall therefore be no offset or reduction for any reason of the Rent Payments required to be made by Lessee which are described herein.

Section 3.3. Payment of Acquisition Costs. Payment of the cost of acquiring Property shall be made from the moneys deposited by the Lessor, but solely from proceeds of the sale of Certificates, with the Trustee in the Acquisition Fund as provided in Section 3.1, which the Lessor shall cause to be disbursed for this purpose in accordance and upon compliance with Article III of the Trust Indenture.

Section 3.4. Unexpended Proceeds in Acquisition Fund. As provided in Section 3.04 of the Trust Indenture, on the earlier of (a) three years from the date of the Certificates (b) the filing with the Trustee of the Certificate of Acceptance with respect to the Property, all excess moneys remaining in the Acquisition Fund the Lessor shall cause to be transferred by the Trustee to the Rent Payment Fund to be applied either (y) to pay any portion of Rent Payments thereafter coming due in respect to Certificates, or (z) to prepay the Rent Payments pursuant to Article IX hereof. The Lessor shall not authorize any disposition of unexpended proceeds without first receiving written direction as to the disposition of such proceeds from the Lessee representative.

#### **ARTICLE IV: AGREEMENT TO LEASE; TERMINATION OF THIS LEASE; RENT PAYMENTS; TITLE TO PROPERTY**

Section 4.1. Lease. The Lessor hereby leases to the Lessee the Property, and the Lessee hereby leases the Property from the Lessor, upon the terms and conditions set forth herein.

Section 4.2. Term of Lease. The Term of this Lease of Property and of the right to use each item of such Property described therein shall commence on the Closing Date and shall continue until all Certificates issued to finance such Property have been paid or defeased and are no longer outstanding under the Trust Indenture. Lessor shall give Lessee written notice of the occurrence of the Closing Date and the payment of defeasance of such Certificates.

Section 4.3. Possession. It is contemplated that the Lessee will take possession of each item of the Property in accordance with the terms of the acquisition contracts and purchase orders described in Section 3.2 hereof. Notwithstanding the failure of the Lessee to take possession of any item of Property, however, each Rent Payment hereunder shall be due on the date set out in this Lease.

#### **Section 4.4. Rent Payments for Property; Pledge and Sinking Fund.**

(a) Obligation to Pay. Subject to the provisions of Article IX, the Lessee agrees to pay the Lessor, its successors, and assigns, for the right of use, acquisition and purchase of Property, the sum obtained by adding the Rent Payments (denominated into components of principal and interest) in the amounts specified in Exhibit B hereto on each Rent Payment Date as reflected in such exhibit. Subject to the provisions of Article IX, the Lessee agrees to pay to the Lessor, its successors and assigns, any amounts required to be deposited to the Rebate Fund established under the Indenture for rebate (hereinafter referred to as a "Rebate Payment") to the U.S. Department of the Treasury (which amounts shall be calculated by the Lessee or its agent and the result of such calculation provided to the Lessor and the Trustee). Each Rent Payment shall be made by the Lessee directly to the Trustee on or before the 15th day prior to the scheduled date of payment of the components of principal and interest due to be made with respect to the Certificates. Each Rebate Payment shall be made in accordance with the terms of Section 5.4 hereof. Any amount held in the Rent Payment Fund on any date when a Rent Payment is required to be made shall be credited towards the Rent Payment then due and payable; and no Rent Payment need be made by the Lessee into the Rent Payment Fund on any such date if the amounts then held in the Rent Payment Fund are at least equal to the Rent Payment then required to be paid. The Lessee hereby covenants to establish and maintain with respect to the Lease, a special interest and sinking fund to be denoted the "Rent Payment Fund", established pursuant to Section 5.02 of the Indenture, solely for the benefit of such Lease with the Trustee. The Rent Payment Fund shall be kept separate and apart from all other funds and accounts of the Lessee and held in trust for the benefit of Owners of Certificates, and shall be used only for paying Rent Payments. All ad valorem taxes levied and collected for the purpose of making such Rent Payments shall be deposited, as collected, to the credit of the Rent Payment Fund until required to be paid to the Lessor pursuant to each Lease. The obligation of the Lessee to make Rent Payments and Rebate Payments is absolute and unconditional and is not subject to abatement or set-off.

There shall annually be assessed, levied, and collected upon all taxable property in Lessee, in addition to all other taxes, a tax which will be sufficient to raise and produce the money required to pay the interest component of the Rent Payments as such interest component comes due and to provide and maintain a sinking fund adequate to pay the principal component of the Rent Payments as such principal component matures, pursuant to Section 6-15A-6 of the Act, as the same becomes due and payable, without limit as to rate or amount. The Board of Education of Lessee ("Board of Education") shall establish adequate budgetary provision, approved by the New Mexico Public Education Department to promptly pay as it becomes due, all Rent Payments. This Section is hereby declared to be the certificate to the County Commissioners of the County of Otero, New Mexico as to the amount of taxes necessary to be levied for the purposes herein stated. Said tax shall annually be assessed, levied, and collected at the same time and in the same manner as other taxes are assessed and collected, but nothing herein contained shall be construed as to prevent Lessee or the officers thereof from applying any other funds available for that purpose to the payment of said Rent Payments as the same respectively mature and become due, and upon such payments, the levies herein provided for, may thereupon, to that extent, be diminished. The sums produced by the levies described above provided to meet the Rent Payments when due, are hereby applied for that purpose, and said amount for each year shall be included in the annual budget and the appropriation bills to be adopted and passed by the Board of Education in each year, respectively. The Board of Education does hereby levy and order to be levied, taxes sufficient to pay the Rent Payments. It shall be the duty of the Board of Education annually at the time and in the manner provided by law for levying other taxes, if such action shall be necessary, to effectuate the provisions hereof with reference to the levy and collection of taxes; and the Board of Education shall require the officers of and for Lessee to levy, extend, and collect such taxes in the manner provided by law for the purpose of funding the Rent Payment Fund for the payment of the Rent Payments. Such taxes, when collected, shall be kept for and applied only to the payment of the Rent Payments as hereinbefore specified. However, if such taxes are insufficient for payment of the Rent Payments, Lessee may use other funds that are lawfully available to make such payments. Said ad valorem taxes, sufficient to provide for the payment of the interest component and principal component of the Rent Payments as such interest component comes due and such principal component matures, are hereby pledged for such payment.

(b) Reduction Upon Partial Prepayment. In the event the Lessee prepays less than all of the remaining principal components of the Rent Payments correspondent to a Lease pursuant to an option to pre-pay such principal components, as set forth in this Lease, the amount of such prepayment shall be applied to reduce the principal and thereby the interest components of each subsequent remaining Rent Payment such that the Rent Payments are reduced on an approximately proportionate basis corresponding to the reduction in principal with respect to the Lease as a result of the redemption thereof from the proceeds of such prepayment.

(c) Fair Rental Value. Such Rent Payments for each rent payment period during the Term of this Lease shall constitute the total rental for such rent payment period and shall be paid by the Lessee in each rent payment period for and in consideration of the right of the use of the Property during each such period for which such rental is to be paid. The parties hereto have agreed and determined that such total rental represents the fair rental value of such Property.

(d) Assignment. The Lessee understands and agrees that pursuant to the Trust Indenture the Lessor has assigned its right to receive and collect Rent Payments and Prepayments to the Trustee in trust for the benefit of the Certificate Owners, and the Lessee assents to such assignment. The Lessor hereby directs the Lessee, and the Lessee hereby agrees to pay to the Trustee at the Trustee's principal corporate trust office, or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the Lessee pursuant to this Section 4.4 and

all amounts payable by the Lessee pursuant to Article IX.

Section 4.5. Quiet Enjoyment. During the Term of this Lease, the Lessor shall provide the Lessee with quiet use and enjoyment of the Property, and during such term the Lessee shall peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Lessor, except as expressly set forth herein. The Lessor will, at the request of the Lessee and at the Lessee's cost, join in any legal action in which the Lessor asserts its right to such possession and enjoyment to the extent the Lessor may lawfully do so Notwithstanding the foregoing, the Lessor shall have the right to inspect the Property as provided in Section 6.3 hereof.

Section 4.6. Title to the Property. During the Term of this Lease, the Lessee shall hold title to the Property described herein and any and all additions which comprise repairs, replacements or modifications and the Lessor shall retain an equitable lien on the title to such Property. In the event of default as set forth in Section 8.1, remedies of the Lessor shall be restricted as described in Section 8.2 hereof.

If the Lessee (a) prepays the Rent Payments in full pursuant to Article IX or (b) pays all Rent Payments during the Term hereof as the same come due and payable, all right and interest of the Lessor in and to all of the Property described in Exhibit A hereto shall be transferred to and vest in the Lessee, without the necessity of any additional document of transfer.

Section 4.7. Additional Rent. In addition to the Rent Payments, the Lessee shall also pay, as additional rent from amounts which may be appropriated by the Lessee, such amounts as shall be required for the payment of the administrative costs of the Lessor under the Trust Indenture, to wit: all expenses and compensation of the Trustee for which the Lessor becomes obligated under the Trust Indenture, including the fees of auditors, accountants, attorneys, or engineers and all other necessary administrative costs of the Trustee or charges required to be paid by the Lessor to the Trustee in order to comply with the terms of the Certificates or of the Trust Indenture or, to the extent permitted by law, to indemnify or defend the Trustee, provided that such indemnification shall not include any liability of the Trustee resulting from the Trustee's own negligence or willful misconduct. Lessor shall submit invoices to Lessee on a reasonable basis for such costs so that Lessee can budget for the payment of such amounts.

Section 4.8. Security Interest. Lessor acknowledges that its equitable lien on the title of the Property is unperfected and unsecured.

## **ARTICLE V: MAINTENANCE, TAXES, TAX COVENANTS AND OTHER MATTERS**

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Lease, as part of the consideration for the right of rental of the Property, all improvement, repair, and maintenance of the Property shall be the responsibility of the Lessee, and the Lessee shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the Lessee or any sublessee thereof. In exchange for the Rent Payments herein provided, and subject to the Lessor's equitable lien as hereinbefore set forth, Lessor agrees to, and does hereby grant Lessee the right to use the Property as hereinbefore and hereafter more specifically set forth.

Lessee shall use the Property only for its proper purposes and will not install, use, operate or maintain the Property improperly, carelessly or in violation of any applicable law, ordinance, rule or regulation of any governmental authority, or in a manner contrary to the nature of the Property or the use contemplated by its manufacturer. The Property shall be used solely in the conduct of Lessee's operations. Lessee shall obtain, at its expense, all registrations, permits, and licenses, if any, required by law for the installation and operation of the Property.

The Lessee shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Lessor or the Lessee or levied, assessed or charged against any item of the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Term of this Lease as and when the same become due.

The Lessee may, at the Lessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Lessor shall notify the Lessee that nonpayment is affecting timely payment of the components of principal or interest on the Certificates, or in the case of the Lessor that, in the opinion of Special Counsel, by nonpayment of any such items, the interest of the Lessor in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the Lessee shall promptly pay such taxes, assessments, or charges or provide the Lessor with full security against any loss which may result from nonpayment, in form satisfactory to the Lessor.

Section 5.2. Modification of the Property. The Lessee, at its own expense, shall have the right to make additions, modifications and improvements to any item of the Property. All such additions, modifications and improvements shall thereafter comprise part of the Property and be subject to the provisions of this Lease. Such additions, modifications, and improvements shall not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law or in any way which would impair the tax exempt status of the interest components of the Rent Payments required to be made with respect to Property; and the Property, upon completion of any additions, modifications, and improvements made pursuant to this Section, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. Lessee shall not alter, remove, destroy, or permanently cover any manufacturer's nameplate, serial number or other similar distinguishing number or mark on the Property. The Lessee will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements made by the Lessee pursuant to this Section; provided that if any such lien is established and the Lessee shall first notify or cause to be notified the Lessor of the Lessee's intention to do so, the Lessee may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Lessor with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Lessor. Upon the request and at the expense of the Lessee, the Lessor will cooperate fully in any such contest.

The Property is and shall at all times be and remain personal property and will not be affixed to or be a part of the real property upon which it may be situated. If requested by Lessor, Lessee, at Lessee's expense, will furnish a landlord or mortgage waiver with respect to the Property.

Section 5.3. Liens. The Lessee shall not, directly or indirectly, create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or claim on or with respect to the Property, other than the respective rights of the Lessor and the Lessee as herein provided. Except as expressly provided in this Article V, the Lessee shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The Lessee shall reimburse the Lessor for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance of claim.

Section 5.5. Damage to or Destruction of Property. Upon the delivery of any Property to Lessee's installation site, Lessee shall bear the entire risk of loss, damage, theft or destruction of such Property from any and every cause whatsoever. No loss, damage, destruction, or other event shall release Lessee from the obligation to pay the full amount of Rent Payments or from any other obligation hereunder.

## **ARTICLE VI: DISCLAIMER OF WARRANTIES; ACCESS**

Section 6.1. Warranties. LESSEE ACKNOWLEDGES AND AGREES THAT THE PROPERTY IS OF THE SIZE, DESIGN AND CAPACITY SELECTED BY LESSEE BASED UPON ITS OWN JUDGMENT. THE LESSOR HAS MADE AND MAKES NO WARRANTY OR REPRESENTATION, WARRANTY OR COVENANT, EITHER EXPRESS OR IMPLIED, AND ASSUMES NO OBLIGATION WITH RESPECT TO THE TITLE, VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE LESSEE OF THE PROPERTY OR ANY ITEM THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROPERTY OR ANY ITEM THEREOF OR THE CONFORMITY OF THE PROPERTY TO SPECIFICATIONS OR PURCHASE ORDERS, ITS DESIGN, DELIVERY, INSTALLATION OR OPERATION. IN NO EVENT SHALL THE LESSOR BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, IN CONNECTION WITH OR ARISING OUT OF THIS LEASE OR THE TRUST INDENTURE FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR LESSEE'S USE OF THE EQUIPMENT.

Section 6.2. Lessee's Right to Enforce Warranties. The Lessee shall have all rights with respect to the warranties of the manufacturers and any other persons with respect to the Property and the right to enforce such warranties against the manufacturers and such other persons. Any recovery under a warranty shall be payable to the Lessee.

Section 6.3. Access to the Property. The Lessee agrees that the Lessor and any Lessor Representative, and the Lessor's successors or assigns, shall have the right at all times during regular business hours of the Lessee and upon reasonable notice to the Lessee to examine and inspect the Property.

Section 6.4. Release and Indemnification. Subject to the limitations and exceptions in the New Mexico Tort Claims Act, NMSA 1978, §§ 41-4-1 to 41-4-27 and to the extent it otherwise lawfully may, Lessee shall indemnify and save harmless Lessor and its agents, employees, officers, and directors from and, at Lessee's expense, defend Lessor and its agents, employees, officers, and directors against all liability, obligations, losses, damages, penalties, claims, actions, costs, and expenses (including but not limited to reasonable attorneys' fees) of whatsoever kind or nature which in any way relate to or arise out of this Lease or the selection, purchase, delivery, ownership, rental, possession, operation, condition, sale or return of the Property; provided that the Lessee

shall not indemnify any person under this Section 6.4 for any liability arising from such person's own negligence or willful misconduct. All amounts which become due from Lessee under this provision shall be credited with any amounts received by the Lessor from insurance provided by the Lessee and shall be payable by Lessee within thirty (30) days following demand therefor by Lessor and shall survive the termination or expiration of this Lease.

## **ARTICLE VII: ASSIGNMENT, SUBLEASING AND AMENDMENT**

Section 7.1. Assignment by the Lessor. Certain of the Lessor's rights under this Lease, including the right to receive and enforce payment of the Rent Payments and other amounts to be made by the Lessee to the Lessor under this Lease, are or will be assigned to the Trustee by the Lessor, to which assignment the Lessee hereby consents. Certain of Lessor's obligations under this Lease with respect to acquisition of the Property are or will be assigned to a sole purpose not for profit corporation organized for the same purposes as Lessor, to which assignment Lessee hereby consents.

Section 7.2. Assignment and Subleasing by the Lessee. This Lease may not be assigned or subleased by the Lessee.

Section 7.3. Amendment of Lease and Other Instruments. This Lease may be altered or, modified in accordance with the provisions of Article X of the Trust Indenture, provided that, in addition to the requirements of the Trust Indenture, this Lease may not be altered, modified or canceled without the consent of the Lessor and the Lessee. The Lessor agrees that it will not consent to any amendment or other change to the Trust Indenture, including the appointment of a successor or replacement Trustee, without first obtaining the written consent of the Lessee. Notwithstanding anything herein to the contrary, without receiving the consent of any Person, Lessee may enter into personal property finance contracts with persons other than Lessor and pledge an ad valorem tax, as contemplated by the Constitution of the State of New Mexico and Section 6-15A-6 of the Act, to support its obligations with respect to acquiring "education technology equipment," it being expressly agreed by Lessee and Lessor that this Lease does not constitute an exclusive method of financing or acquiring "education technology equipment" by Lessee.

## **ARTICLE VIII: EVENTS OF DEFAULT AND REMEDIES**

Section 8.1. Events Of Default Defined. The following shall be "events of default" under this Lease and the terms "events of default" and "default" shall mean, whenever they are used herein, any one or more of the following events whether occurring voluntarily or involuntarily, by operation of law or pursuant to any order of any court or governmental agency:

- (a) Lessee's failure to levy taxes in amounts sufficient to make any Rent Payment when due or to provide the moneys levied for such purposes to the Trustee in accordance with the terms hereof; or
- (b) Lessee's failure to make any payment required hereunder, other than a Rent Payment, or its failure to comply with any other covenant, condition or agreement of Lessee hereunder for a period of thirty (30) days after notice thereof; or
- (c) Any representation or warranty made by Lessee hereunder shall be untrue in any material respect as of the date made; or
- (d) Lessee shall make, permit or suffer any unauthorized assignment, transfer or

other disposition of this Lease or any interest herein, or any part of the Property or any interest therein; or

(e) Lessee becomes insolvent or admits in writing its inability to pay its debts as they mature or applies for, consents to or acquiesces in the appointment of a trustee, receiver or custodian for the Lessee or a substantial part of its property; or in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed for Lessee or a substantial part of its property and is not discharged within sixty (60) days of such appointment; or any bankruptcy, reorganization, debt arrangement, moratorium, or any proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is instituted by or against Lessee and, if instituted against Lessee, is consented to or acquiesced in by Lessee or is not dismissed within sixty (60) days of such institution; or

(f) Lessor fails to observe or perform any representation, covenant, or warranty set forth in Section 2.2 of this Lease.

Section 8.2. Remedies Upon Event of Default. Upon the happening and continuance of (a) any event of default specified in Section 8.1 (except a default described in Section 8.1(f)), the Lessor or its assigns may, or, upon the written request of the Owners of a majority of the principal amount of the Certificates, the Lessor or its assigns shall or (b) any event of default specified in Section 8.1(f), the Owners of a majority of the principal amount of the Certificates, proceed to protect and enforce this Lease and enforce the pledge of the Lessee's ad valorem taxes by such judicial proceedings as such Persons shall deem most effectual, either by suit in equity, mandamus or by action at law, whether for the specific performance of any covenant or agreement contained herein, or in aid of the exercise of any power granted herein be enforced, provided, it being the express intent that the payment of the Rent Payments hereunder by the levying of ad valorem taxes, without limit as to rate or amount, through a mandamus action be sought prior to seeking any other remedy against the Lessee, or to enforce any other legal or equitable right vested in the Lessor, its assignee or the Owners by such Lease or by law.

Section 8.3. No Waiver. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In the event any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder. In order to entitle the Lessor to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

Section 8.4. Application of the Proceeds from Enforcement of Default. All amounts received by the Lessor under this Article VIII shall be transferred to the Trustee promptly upon receipt thereof for deposit in the Rent Payment Fund relating to a breach hereof and credit such amounts towards Rent Payments in order of payment date.

## **ARTICLE IX: PREPAYMENT OF RENT PAYMENTS AND EXERCISE OF PURCHASE OPTION AT END OF LEASE**

Section 9.1. Optional Prepayment. The Certificates are not subject to redemption prior to maturity. The Lessee shall have, and is hereby granted, the option to prepay or defease Rent Payments relating to this Lease in whole or in part on or after the first prepayment date and at the price, each as specified in Exhibit B hereto pursuant to the terms and conditions of Section 14.02 of

the Trust Indenture by, (a) well and truly paying or causing to be paid all Trustee fees due and owing and the principal of, premium, if any, and interest with respect to all Outstanding Certificates, as and when the same become due and payable; or (b) by depositing with the Trustee, in trust, an amount (including amounts then on deposit in the Rent Payment Fund) which, together with the amount of earnings calculated to accrue on any investment of the amounts in Governmental Obligations to maturity or applicable redemption date, will be sufficient to pay and discharge all Certificates (including all principal, interest and redemption premiums) at their respective maturity dates; and (c) giving the Lessor notice in writing of the Lessee's intention to exercise such option. Any payments made to the Trustee for the purpose of prepaying this Lease shall be held in a trust account by the Trustee for the benefit of the respective Owners of the Certificates. If the Lessee prepays this Lease by depositing Governmental Obligations in an amount sufficient, or to be sufficient when taking into account the expected investment income thereof to prepay this Lease on a permitted prepayment date, the Lessee shall remain obligated to pay any deficiency which occurs in the trust account established with the Trustee for such purpose until such time as this Lease is prepaid and thereby defeased. Any prepayment or defeasance in part of Rent Payments in accordance with this Section 9.1 shall be in amounts equal to at least \$5,000 and any integral multiple of \$5,000 of the principal component of a Rent Payment, plus interest accruing on such principal component of a Rent Payment to the date fixed for Prepayment. Lessee shall, upon prepayment or defeasance of Rent Payments, specify to Lessor the specific payments being prepaid or defeased, if less than all Rent Payments hereunder are being prepaid or defeased, and Lessor shall cause Trustee to redeem or defease the corresponding principal and interest payment on the Certificates.

Section 9.2. Credit for Amounts on Deposit. In the event of prepayment or defeasance in full of the principal components of Rent Payments and all additional rent then due pursuant to Section 4.7 under this Article IX, then the lien of the Trust Indenture shall be discharged. As a result of such prepayment, the Lessor shall instruct the Trustee in writing to credit all amounts then on deposit in a Rent Payment Fund or an Acquisition Fund towards the amounts then required to be so prepaid and if any amounts remain on deposit in such funds after prepayment or defeasance of all Rent Payments and other amounts required to be paid by Lessee hereunder, the Lessor shall direct the Trustee in writing to pay over such residuals to the Lessee.

Section 9.3. Exercise of District's Option to Purchase Property at End of Lease. Pursuant to the Act, Lessor grants to Lessee the right to purchase the Property at the end of the Term of this Lease for \$1. Lessee hereby exercises such option to purchase and Lessor hereby acknowledges receipt of \$1 from Lessee and other valuable consideration.

# APPENDIX D

## Excerpt of the Audited Financial Statements (For the Fiscal Year Ending June 30, 2013)

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**Accounting & Consulting Group, LLP**

Certified Public Accountants

**STATE OF NEW MEXICO**  
**ALAMOGORDO MUNICIPAL SCHOOL DISTRICT NO. 1**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**



# Alamogordo Public Schools

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**STATE OF NEW MEXICO**  
 Alamogordo Municipal School District No. 1  
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 June 30, 2013

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**STATE OF NEW MEXICO**  
 Alamogordo Municipal School District No. 1  
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**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Official Roster  
June 30, 2013

<u><b>Name</b></u>	<u><b>Board of Education</b></u>	<u><b>Title</b></u>
Dr. Allan Rickman		Board President
David Weaver		Board Vice President
Steve Jaszai		Board Member
David Borunda		Board Member
David Ceballes		Board Member
Lt. Col. Cory Bennett		Ex-Officio Member

<u><b>Administrative Officials</b></u>	
Dr. George Straface	Superintendent
Carol Genest	Director of Business and Finance
Tom Bregler	Comptroller

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## **FINANCIAL SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

Hector H. Balderas  
New Mexico State Auditor  
The Office of Management and Budget  
The Board of Education  
Alamogordo Municipal School District No. 1  
Alamogordo, 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 comparison for the general fund of Alamogordo Municipal School District No. 1 (the District), as of and for the year ended June 30, 2013, 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 also have audited the financial statements of each of the District's nonmajor governmental funds, the combining financial statements for the general fund, and the budgetary comparisons for the major capital projects fund, 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, 2013, 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 misstatements, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, 2013, and the respective changes in financial position thereof, 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 the combining financial statements for General Fund of the District as of June 30, 2013, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the *Management 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments*, introductory section and Supporting Schedules I through IV 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 IV 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 the 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 IV required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013 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.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, NM  
November 1, 2013

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
 Alamogordo Municipal School District No. 1  
 Statement of Net Position  
 June 30, 2013

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 17,328,804
Receivables:	
Property taxes	472,959
Due from other governments	1,350,947
Other	13,839
Inventory	<u>82,308</u>
Total current assets	<u>19,248,857</u>
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents	4,477,309
Bond issuance costs, net of accumulated amortization of \$186,520	364,513
Capital assets	133,536,034
Less: accumulated depreciation	<u>(66,326,586)</u>
Total noncurrent assets	<u>72,051,270</u>
Total assets	<u><u>\$ 91,300,127</u></u>

The accompanying notes are an integral part of these financial statements

	Primary Government Governmental Activities
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 604,482
Accrued payroll	2,389,308
Accrued interest	349,986
Accrued compensated absences	146,701
Current portion of loans and capital leases payable	167,618
Current portion of bonds payable	3,565,000
	<hr/>
Total current liabilities	7,223,095
	<hr/>
Noncurrent liabilities	
Accrued compensated absences	44,987
Loans and capital leases payable	133,190
Bonds payable	28,540,000
Bond premium, net of accumulated amortization of \$135,880	428,708
	<hr/>
Total noncurrent liabilities	29,146,885
	<hr/>
Total liabilities	36,369,980
	<hr/>
<b>Net position</b>	
Net investment in capital assets	43,914,842
Restricted for:	
Debt service	4,301,975
Capital projects	1,516,256
Special revenue	1,125,891
Unrestricted	4,071,183
	<hr/>
Total net position	54,930,147
	<hr/>
Total liabilities and net position	\$ 91,300,127
	<hr/> <hr/>

**STATE OF NEW MEXICO**  
 Alamogordo Municipal School District No. 1  
 Statement of Activities  
 For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental Activities:			
Instruction	\$ 27,873,359	\$ 148,461	\$ 4,465,584
Support services - students	5,709,097	30,408	914,653
Support services - instruction	4,502,201	23,980	721,296
Support services - general administration	1,277,238	6,803	204,626
Support services - school administration	2,570,529	13,691	411,824
Central services	2,234,297	11,900	357,956
Operation and maintenance of plant	6,673,508	35,545	1,069,161
Student transportation	1,622,206	-	1,381,982
Other support services	217,855	-	-
Food services operations	3,020,382	655,545	2,007,706
Amortization	50,590	-	-
Interest and other charges	779,500	-	-
Total governmental activities	\$ 56,530,762	\$ 926,334	\$ 11,534,788

**General Revenues:**

Taxes:

Property taxes, levied for operating programs

Property taxes, levied for debt services

Property taxes, levied for capital projects

State equalization guarantee

Local sources

Investment income

Miscellaneous income

Loss on disposition of assets and exchange of land

Total general revenues

Change in net position

Net position, beginning

Net position, ending

The accompanying notes are an integral part of these financial statements

<b>Program Revenues</b>	<b>Net (Expense)</b>
<b>Capital Grants and</b>	<b>Revenue and</b>
<b>Contributions</b>	<b>Changes in Net</b>
	<b>Position</b>
	<b>Government</b>
	<b>Activities</b>
\$ 446,520	\$ (22,812,794)
91,457	(4,672,578)
72,123	(3,684,801)
20,461	(1,045,348)
41,179	(2,103,835)
35,793	(1,828,648)
106,907	(5,461,895)
-	(240,224)
-	(217,855)
-	(357,131)
-	(50,590)
-	(779,500)
<u>\$ 814,440</u>	<u>(43,255,200)</u>

266,315
4,294,464
1,349,795
39,406,786
7,000
9,259
19,767
<u>(52,510)</u>
<u>45,300,876</u>
2,045,676
<u>52,884,471</u>
<u>\$ 54,930,147</u>

**STATE OF NEW MEXICO**  
**Alamogordo Municipal School District No. 1**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>General Fund</u>	<u>Bond Building Capital Projects Fund</u>	<u>Debt Service Fund</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 5,497,645	\$ 9,111,202	\$ 4,105,994
Receivables:			
Property taxes	22,217	-	302,456
Due from other governments	46,314	-	-
Other	11,557	-	-
Inventory	52,349	-	-
Due from other funds	852,768	-	-
	<u>6,482,850</u>	<u>9,111,202</u>	<u>4,408,450</u>
<i>Total assets</i>	<u>\$ 6,482,850</u>	<u>\$ 9,111,202</u>	<u>\$ 4,408,450</u>
<i>Liabilities</i>			
Accounts payable	\$ 209,521	\$ 94,536	\$ -
Accrued payroll	2,019,622	-	-
Deferred revenue:			
Property taxes	15,768	-	215,690
Due to other funds	-	-	-
	<u>2,244,911</u>	<u>94,536</u>	<u>215,690</u>
<i>Total liabilities</i>	<u>2,244,911</u>	<u>94,536</u>	<u>215,690</u>
<i>Fund balances</i>			
Nonspendable:			
Inventory	52,349	-	-
Spendable:			
Restricted for:			
Transportation	2	-	-
Instructional materials	574,510	-	-
Food services	-	-	-
Extracurricular activities	-	-	-
Education	-	-	-
Capital acquisitions and improvements	-	9,016,666	-
Debt service	-	-	4,192,760
Committed for:			
Subsequent year's expenditures	1,123,169	-	-
Unassigned	2,487,909	-	-
	<u>4,237,939</u>	<u>9,016,666</u>	<u>4,192,760</u>
<i>Total fund balances</i>	<u>4,237,939</u>	<u>9,016,666</u>	<u>4,192,760</u>
<i>Total liabilities and fund balances</i>	<u>\$ 6,482,850</u>	<u>\$ 9,111,202</u>	<u>\$ 4,408,450</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 3,091,272	\$ 21,806,113
148,286	472,959
1,304,633	1,350,947
2,282	13,839
29,959	82,308
-	852,768
<u>\$ 4,576,432</u>	<u>\$ 24,578,934</u>
\$ 300,425	\$ 604,482
369,686	2,389,308
107,646	339,104
852,768	852,768
<u>1,630,525</u>	<u>4,185,662</u>
29,959	82,308
-	2
-	574,510
276,500	276,500
43,362	43,362
785,234	785,234
1,429,516	10,446,182
381,336	4,574,096
-	1,123,169
-	2,487,909
<u>2,945,907</u>	<u>20,393,272</u>
<u>\$ 4,576,432</u>	<u>\$ 24,578,934</u>

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**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Governmental Funds  
Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2013

Exhibit B-1  
Page 2 of 2

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

Fund balances - total governmental funds	\$ 20,393,272
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	67,209,448
Other noncurrent assets are not available to pay for current period expenditures and therefore, are deferred in the funds:	
Bond issuance costs	364,513
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	339,104
Liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(191,688)
Accrued interest payable	(349,986)
Bond premiums	(428,708)
Bonds, loans and capital leases payable	<u>(32,405,808)</u>
Total net position - governmental funds	<u><u>\$ 54,930,147</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Alamogordo Municipal School District No. 1  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2013

	General Fund	Bond Building Capital Projects Fund	Debt Service Fund
<i>Revenues</i>			
Property taxes	\$ 264,993	\$ -	\$ 4,006,152
Intergovernmental revenue			
Federal flowthrough	419,840	-	-
Federal direct	1,212,843	-	-
Local sources	-	-	-
State flowthrough	931,711	-	-
State direct	39,406,786	-	-
Transportation distribution	1,381,982	-	-
Charges for services	162,552	-	-
Investment income	-	5,709	2,080
Miscellaneous	1,896	-	-
<i>Total revenues</i>	<u>43,782,603</u>	<u>5,709</u>	<u>4,008,232</u>
<i>Expenditures</i>			
Current			
Instruction	25,136,476	-	-
Support services - students	3,788,103	-	-
Support services - instruction	886,370	-	-
Support services - general administration	925,104	-	39,989
Support services - school administration	2,254,852	-	-
Central services	1,985,053	-	-
Operation and maintenance of plant	5,759,686	8,557	-
Student transportation	1,620,521	-	-
Other support services	204,167	-	-
Food services operations	38,423	-	-
Capital outlay	72,855	2,924,125	-
Debt service			
Principal	-	-	2,525,000
Interest	-	-	742,733
Bond issuance costs	-	55,772	-
<i>Total expenditures</i>	<u>42,671,610</u>	<u>2,988,454</u>	<u>3,307,722</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,110,993</u>	<u>(2,982,745)</u>	<u>700,510</u>
<i>Other financing sources (uses)</i>			
Proceeds from sale of capital assets	19,780	-	-
Transfers in	-	-	-
Transfers (out)	-	-	-
Bond premium	-	-	125,000
Bond proceeds	-	5,000,000	-
<i>Total other financing sources (uses)</i>	<u>19,780</u>	<u>5,000,000</u>	<u>125,000</u>
<i>Net change in fund balances</i>	1,130,773	2,017,255	825,510
<i>Fund balances - beginning</i>	<u>3,107,166</u>	<u>6,999,411</u>	<u>3,367,250</u>
<i>Fund balances - end of year</i>	<u>\$ 4,237,939</u>	<u>\$ 9,016,666</u>	<u>\$ 4,192,760</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 1,613,409	\$ 5,884,554
6,673,204	7,093,044
625,287	1,838,130
7,000	7,000
852,665	1,784,376
319,267	39,726,053
-	1,381,982
763,782	926,334
1,470	9,259
17,871	19,767
<u>10,873,955</u>	<u>58,670,499</u>
2,493,623	27,630,099
1,911,374	5,699,477
817,913	1,704,283
241,955	1,207,048
298,070	2,552,922
50,938	2,035,991
896,194	6,664,437
1,000	1,621,521
-	204,167
2,971,625	3,010,048
1,065,432	4,062,412
940,838	3,465,838
52,205	794,938
-	55,772
<u>11,741,167</u>	<u>60,708,953</u>
<u>(867,212)</u>	<u>(2,038,454)</u>
-	19,780
453	453
(453)	(453)
-	125,000
-	5,000,000
<u>-</u>	<u>5,144,780</u>
(867,212)	3,106,326
<u>3,813,119</u>	<u>17,286,946</u>
<u>\$ 2,945,907</u>	<u>\$ 20,393,272</u>

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**STATE OF NEW MEXICO**  
 Alamogordo Municipal School District No. 1  
 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, 2013

Exhibit B-2  
 Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	3,106,326
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in  
 the Statement of Activities, the cost of those assets is allocated over their  
 estimated useful lives and reported as depreciation expense:

Capital expenditures		4,062,412
Depreciation expense		(3,356,500)
Book value of capital assets disposed		(293)
Book value in excess of fair market value of land exchanged		(71,997)

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

Change in deferred revenue related to property taxes receivables		26,020
Change in deferred revenue related to grant receivables		(67,571)

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

Original bond premiums		(125,000)
Current year amortization of bond premium		47,741
Original bond issuance cost		55,772
Current year amortization of bond issuance cost		(50,590)
Bond proceeds		(5,000,000)
Increase in accrued compensated absences not due and payable		(14,179)
Increase in accrued interest payable		(32,303)
Principal payments on bonds		3,305,000
Principal payments on capital leases		160,838

Change in net position of governmental activities	\$	2,045,676
---	----	-----------

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**Alamogordo Municipal School District No. 1**  
**General Fund**

Exhibit C-1

Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Property taxes	\$ 254,229	\$ 254,229	\$ 265,398	\$ 11,169
Intergovernmental revenue				
Federal flowthrough	128,246	128,246	419,840	291,594
Federal direct	809,817	1,050,093	1,212,843	162,750
Local sources	-	-	-	-
State flowthrough	492,608	492,608	894,707	402,099
State direct	39,673,709	39,552,925	39,406,786	(146,139)
Transportation distribution	1,014,510	1,381,980	1,381,982	2
Charges for services	82,000	74,464	162,344	87,880
Investment Income	-	-	-	-
Miscellaneous	-	-	27,579	27,579
<i>Total revenues</i>	<u>42,455,119</u>	<u>42,934,545</u>	<u>43,771,479</u>	<u>836,934</u>
<i>Expenditures</i>				
Current				
Instruction	26,692,191	25,751,755	23,633,806	2,117,949
Support services - students	3,824,020	3,859,910	3,791,483	68,427
Support services - instruction	972,837	1,296,117	1,204,812	91,305
Support services - general administration	872,597	1,078,447	970,475	107,972
Support services - school administration	2,254,674	2,305,088	2,254,223	50,865
Central services	2,085,091	2,075,291	1,985,295	89,996
Operation and maintenance of plant	5,581,653	6,088,945	5,846,464	242,481
Student transportation	1,356,510	1,630,907	1,619,951	10,956
Other support services	111,974	188,032	175,652	12,380
Food services operations	-	38,681	38,423	258
<i>Total expenditures</i>	<u>43,751,547</u>	<u>44,313,173</u>	<u>41,520,584</u>	<u>2,792,589</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,296,428)</u>	<u>(1,378,628)</u>	<u>2,250,895</u>	<u>3,629,523</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,296,428	1,378,628	-	(1,378,628)
Proceeds from sale of capital assets	-	-	13,878	13,878
<i>Total other financing sources (uses)</i>	<u>1,296,428</u>	<u>1,378,628</u>	<u>13,878</u>	<u>(1,364,750)</u>
<i>Net change in fund balances</i>	-	-	2,264,773	2,264,773
<i>Fund balances - beginning of year</i>	-	-	4,085,640	4,085,640
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,350,413</u>	<u>\$ 6,350,413</u>
Net change in fund balances (Non-GAAP budgetary basis)				\$ 2,264,773
Adjustments to revenues for taxes and insurance recoveries				17,026
Adjustments to expenditures for supplies and payroll expenditures				<u>(1,151,026)</u>
Net change in fund balances (GAAP Basis)				<u>\$ 1,130,773</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2013

Exhibit D-1

<i>Current Assets</i>	
Cash and cash equivalents	\$ 873,271
Receivables	<u>4,811</u>
<i>Total current assets</i>	<u>878,082</u>
<i>Noncurrent Assets</i>	
Capital assets, net of accumulated depreciation of \$763	<u>14,505</u>
<i>Total noncurrent assets</i>	<u>14,505</u>
<i>Total assets</i>	<u><u>\$ 892,587</u></u>
<i>Current Liabilities</i>	
Accounts payable	\$ 5,980
Accrued payroll	1,167
Due to student organizations	<u>885,440</u>
<i>Total liabilities</i>	<u><u>\$ 892,587</u></u>

The accompanying notes are an integral part of these financial statements

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**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Notes to Financial Statements  
June 30, 2013

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

Alamogordo Municipal School District No. 1 “the District” is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education of the City of Alamogordo. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years. The District operates sixteen schools within the District with a total enrollment of approximately 6,000 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the School Board provides transportation and school food services for the students.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of the District’s management that is responsible for the financial statements. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

During the year ended June 30, 2013, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The District does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources

**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 Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. 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.

**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Notes to Financial Statements  
June 30, 2013

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

*A. Financial Reporting Entity (continued)*

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units 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 has no component units, and is not a component unit of another governmental agency.

*B. Government-wide and fund financial statements*

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

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

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

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

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

**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Notes to Financial Statements  
June 30, 2013

**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, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion.

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

The District reports the following major governmental funds:

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

The *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 and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Authority for the creation of this fund is the New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Notes to Financial Statements  
June 30, 2013

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

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

Additionally, the District reports the following agency fund:

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

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

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

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

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

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Local Government Investment Pool (LGIP). The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Restricted Assets:** The Debt Service Fund is used to report resources set aside for the payment of long-term debt principal and interest.

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

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

The District receives monthly income from a tax levy in Otero County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2013 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2013. Period of availability is deemed to be sixty days subsequent to year end.

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

**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Notes to Financial Statements  
June 30, 2013

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

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

**Inventory:** The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and 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.

Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). The District was a Phase II government for purposes of implementing GASB Statement No. 34 however, the District does not have any infrastructure assets to report.

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

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	20-50
Buildings and improvements	20-50
Furniture, fixtures and equipment	5-10

**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Notes to Financial Statements  
June 30, 2013

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

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

**Deferred Revenues:** There are two sets of circumstances in which the District accrues deferred revenue.

- *Unearned revenue* - Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for *deferred revenue*.
- *Unavailable revenue* – Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual (it must be both measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue. The District has recorded \$339,104 in deferred revenue related to property taxes considered “unavailable.”

**Compensated Absences:** It is the District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Twelve-month employees may accumulate up to 20 days of vacation leave; any leave beyond these limits must be used by June 30th of the current contract year unless carryover approval is obtained from the Superintendent.

Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, upon termination, sick leave is not paid out to the employee.

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In the past, the liability has been paid from the general fund.

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

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

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

**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Notes to Financial Statements  
June 30, 2013

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

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

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

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

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

**Nonspendable Fund Balance:** At June 30, 2013, the nonspendable fund balance in the general fund and food service fund are made up of inventory in the amounts of \$52,349 and \$29,959, respectively, that are not in spendable form.

**Restricted and Committed Fund Balance:** At June 30, 2013, the restricted fund balance on the governmental funds balance sheet is made up of \$1,679,608 restricted for providing transportation, instructional materials, food services, extracurricular activities and education to the students of the District, \$10,446,182 restricted for the purpose of erecting, remodeling, making additions to and furnishing school buildings and purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [22-24-1 NMSA 1978], or any combination of these purposes, and \$4,574,096 restricted for the payment of principal and interest of the future debt service requirements. The District has also committed fund balance in the amount of \$1,123,169 for expenditures in the subsequent year.

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

- a. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Net position is reported as restricted when constraints are placed on the use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, capital projects, and debt service" are described on pages 31 and 60-63.
- c. Unrestricted Net Position: Net position that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Notes to Financial Statements  
June 30, 2013

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

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

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the District are management's estimate of depreciation on assets over their estimated useful lives and the current portion of accrued compensated absences.

*E. Revenues*

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$39,406,786 in state equalization guarantee distributions during the year ended June 30, 2013.

**Tax Revenues:** The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$5,910,574 in tax revenues in the government-wide financial statements during the year ended June 30, 2013. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

**Transportation Distribution:** School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through 12 attending public school within the school district. The District received \$1,381,982 in transportation distributions during the year ended June 30, 2013.

**Instructional Materials:** The Public Education Department (Department) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2013 totaled \$470,884.

**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Notes to Financial Statements  
June 30, 2013

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

*E. Revenues (continued)*

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

The District received \$306,589 in state SB-9 matching during the year ended June 30, 2013.

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

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

The District received \$308,867 in state Public School Capital Outlay matching during the year ended June 30, 2013.

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

**STATE OF NEW MEXICO**  
Alamogordo Municipal School District No. 1  
Notes to Financial Statements  
June 30, 2013

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

*Budgetary Information*

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

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

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

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
 Alamogordo Municipal School District No. 1  
 Notes to Financial Statements  
 June 30, 2013

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

*Budgetary Information (continued)*

7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the original budget and the final budget.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

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

The appropriated budget for the year ended June 30, 2013, was properly amended by the District's Board of Education throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (1,296,428)	\$ (1,378,628)
Bond Building Capital Projects Fund	\$ (5,892,842)	\$ (13,119,464)
Debt Service Fund	\$ (2,757,301)	\$ (3,412,758)
Other Governmental Funds	\$ (1,269,900)	\$ (3,625,593)

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

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

**STATE OF NEW MEXICO**  
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 June 30, 2013

**NOTE 3. Deposits and Investments**

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, 2013.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

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

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of the District's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2013, \$22,230,540 of the District's bank balances of \$22,980,540 was exposed to custodial credit risk. \$14,314,154 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the District's name, and \$7,916,386 was uninsured and uncollateralized.

	First American Bank	First National Bank	Wells Fargo Bank	Total
Amount of deposits	\$ 14,905,839	\$ 3,647,775	\$ 4,426,926	\$ 22,980,540
FDIC coverage	(250,000)	(250,000)	(250,000)	(750,000)
Total uninsured public funds	<u>14,655,839</u>	<u>3,397,775</u>	<u>4,176,926</u>	<u>22,230,540</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>7,456,607</u>	<u>2,680,621</u>	<u>4,176,926</u>	<u>14,314,154</u>
Uninsured and uncollateralized	<u>\$ 7,199,232</u>	<u>\$ 717,154</u>	<u>\$ -</u>	<u>\$ 7,916,386</u>
Collateral requirement (50%)	\$ 7,327,920	\$ 1,698,888	\$ 2,088,463	\$ 11,115,271
Pledged securities	<u>7,456,607</u>	<u>2,680,621</u>	<u>4,865,823</u>	<u>15,003,051</u>
Over (under) collateralized	<u>\$ 128,687</u>	<u>\$ 981,733</u>	<u>\$ 2,777,360</u>	<u>\$ 3,887,780</u>

**STATE OF NEW MEXICO**  
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**NOTE 3. Deposits and Investments (continued)**

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

The District utilizes internal pooled accounts for some of their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheet as of June 30, 2013. Funds 24101 through 25254 are federal funds and 27106 through 27171 are nonfederal funds. The following individual funds had negative cash balances as of June 30, 2013:

24101	Title I IASA	\$ 134,916
24106	Entitlement IDEA-B	107,998
24109	Preschool IDEA-B	10,249
24113	Education of Homeless	353
24115	IDEA-B Private School Share	244
24120	IDEA-B "Risk Pool"	8,495
24124	Title I 1003g Grant	78,548
24154	Teacher/Principal Training/Recruiting	132,717
24162	Title I School Improvement	12,111
24174	Carl D. Perkins Secondary Current	11,283
24176	Carl D. Perkins Secondary Redistribution	9,240
25254	DOD Education Activity	81,192
27106	2010 G.O. Bond Student Library	6,458
27114	New Mexico Reads to Lead	246,274
27155	Breakfast for Elementary Students	1,579
27171	2010 GOB Instructional Materials	11,111
Total		<u>\$ 852,768</u>

**STATE OF NEW MEXICO**  
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**NOTE 3. Deposits and Investments (continued)**

**Investments**

As of June 30, 2013, the District did not have any investment balances.

Reconciliation to the Statement of Net Position

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

Cash and cash equivalents per Exhibit A-1	\$ 17,328,804
Restricted cash per Exhibit A-1	4,477,309
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit D-1	<u>873,271</u>
Total cash and cash equivalents	22,679,384
Add: outstanding checks	2,880,574
Less: deposits in transit	(2,579,068)
Less: petty cash	<u>(350)</u>
Bank balance of deposits	<u><u>\$ 22,980,540</u></u>

**NOTE 4. Accounts Receivable**

Accounts receivable as of June 30, 2013, are as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes receivable	\$ 22,217	\$ 302,456	\$ 148,286	\$ 472,959
Due from other governments:				
Federal sources	-	-	855,094	855,094
State sources	46,314	-	449,539	495,853
Other receivables:				
ROTC	5,655	-	-	5,655
Sale of assets	5,902	-	-	5,902
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,282</u>	<u>2,282</u>
	<u><u>\$ 80,088</u></u>	<u><u>\$ 302,456</u></u>	<u><u>\$ 1,455,201</u></u>	<u><u>\$ 1,837,745</u></u>

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$339,104 that were not collected within the period of availability have been reclassified as deferred revenue in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

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 Alamogordo Municipal School District No. 1  
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**NOTE 5. Interfund Receivables, Payables, and Transfers**

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. The composition of interfund balances during the year ended June 30, 2013 is as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund	Title I IASA	\$ 134,916
General Fund	Entitlement IDEA-B	107,998
General Fund	Preschool IDEA-B	10,249
General Fund	Education of Homeless	353
General Fund	IDEA-B Private School Share	244
General Fund	IDEA-B "Risk Pool"	8,495
General Fund	Title I 1003g Grant	78,548
General Fund	Teacher/Principal Training/Recruiting	132,717
General Fund	Title I School Improvement	12,111
General Fund	Carl D. Perkins Secondary Current	11,283
General Fund	Carl D. Perkins Secondary Redistribution	9,240
General Fund	DOD Education Activity	81,192
General Fund	2010 G.O. Bond Student Library	6,458
General Fund	New Mexico Reads to Lead	246,274
General Fund	Breakfast for Elementary Students	1,579
General Fund	2010 GOB Instructional Materials	11,111
		<hr/>
	Total	<u>\$ 852,768</u>

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

Net operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations, were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Food Service Special Revenue Fund	Fresh Fruits & Vegetables Special Revenue Fund	\$ 453
	Total	<u>\$ 453</u>

**STATE OF NEW MEXICO**  
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**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2013, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and construction in progress are not subject to depreciation.

Capital assets, net of accumulated depreciation, at June 30, 2013 appear in the Statement of Net Position as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,891,582	\$ 48,875	\$ 120,872	\$ 3,819,585
Construction in progress	2,190,779	851,947	2,012,871	1,029,855
	<u>6,082,361</u>	<u>900,822</u>	<u>2,133,743</u>	<u>4,849,440</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings and improvements	114,590,482	4,818,037	-	119,408,519
Land improvements	1,282,946	235,233	-	1,518,179
Furniture, fixtures, and equipment	7,695,161	170,066	105,331	7,759,896
	<u>123,568,589</u>	<u>5,223,336</u>	<u>105,331</u>	<u>128,686,594</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Buildings and improvements	57,066,020	2,962,128	-	60,028,148
Land improvements	200,457	69,217	-	269,674
Furniture, fixtures, and equipment	5,808,647	325,155	105,038	6,028,764
	<u>63,075,124</u>	<u>3,356,500</u>	<u>105,038</u>	<u>66,326,586</u>
Total accumulated depreciation				
Total capital assets, net of depreciation	<u>\$ 66,575,826</u>	<u>\$ 2,767,658</u>	<u>\$ 2,134,036</u>	<u>\$ 67,209,448</u>

The District exchanged land during the year. The District received land with a fair market value of \$48,875 in exchange for land the District was originally recorded at \$120,872.

Depreciation expense for the year ended June 30, 2013 was charged to the following functions:

<b>Governmental Activities</b>	
Direct instruction	\$ 236,326
Support services - students	4,798
Support services - instruction	2,789,041
General administration	44,925
Central services	128,013
Operation and maintenance of plant	148,179
Food services operation	5,218
	<u>5,218</u>
Total	<u>\$ 3,356,500</u>

**STATE OF NEW MEXICO**  
**Alamogordo Municipal School District No. 1**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 7. Long-term Debt**

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
General Obligation Bonds					
Series 2006	\$ 3,675,000	\$ -	\$ 850,000	\$ 2,825,000	\$ 500,000
Ed Tech Note					
Series 2008	655,000	-	655,000	-	-
General Obligation Bonds					
Series 2009	5,500,000	-	500,000	5,000,000	500,000
General Obligation Bonds					
Series 2010	3,250,000	-	750,000	2,500,000	1,000,000
General Obligation Bonds					
Series 2011	10,000,000	-	425,000	9,575,000	700,000
Ed Tech Note					
Series 2011B	1,330,000	-	125,000	1,205,000	275,000
General Obligation Bonds					
Series 2012	6,000,000	-	-	6,000,000	350,000
General Obligation Bonds					
Series 2013	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>240,000</u>
Total Bonds	30,410,000	5,000,000	3,305,000	32,105,000	3,565,000
Capital Lease					
Energy Efficient	461,646	-	160,838	300,808	167,618
Compensated Absences	<u>181,794</u>	<u>156,595</u>	<u>146,701</u>	<u>191,688</u>	<u>146,701</u>
Total Long-Term Debt	<u>\$ 31,053,440</u>	<u>\$ 5,156,595</u>	<u>\$ 3,612,539</u>	<u>\$ 32,597,496</u>	<u>\$ 3,879,319</u>

General obligation bonds and the capital lease are secured by and payable solely from the Debt Service Fund and the Ed Tech Debt Service Fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2013 are for governmental activities.

**STATE OF NEW MEXICO**  
 Alamogordo Municipal School District No. 1  
 Notes to Financial Statements  
 June 30, 2013

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

The annual requirements to amortize the general obligation bonds and the capital lease outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 3,732,618	\$ 829,374	\$ 4,561,992
2015	3,733,190	754,559	4,487,749
2016	3,300,000	666,411	3,966,411
2017	3,190,000	577,788	3,767,788
2018	2,850,000	485,789	3,335,789
2019-2023	11,600,000	1,174,987	12,774,987
2024-2026	4,000,000	175,500	4,175,500
	<u>\$ 32,405,808</u>	<u>\$ 4,664,408</u>	<u>\$ 37,070,216</u>

The annual requirements to amortize the General Obligation School Building Bonds Series 2006 outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 500,000	\$ 97,850	\$ 597,850
2015	500,000	77,850	577,850
2016	500,000	58,725	558,725
2017	500,000	40,350	540,350
2018	500,000	21,725	521,725
2019	325,000	6,175	331,175
	<u>\$ 2,825,000</u>	<u>\$ 302,675</u>	<u>\$ 3,127,675</u>

The annual requirements to amortize the General Obligation School Building Bonds Series 2009 outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 500,000	\$ 165,500	\$ 665,500
2015	650,000	148,250	798,250
2016	750,000	127,250	877,250
2017	800,000	102,000	902,000
2018	800,000	74,000	874,000
2019-2021	1,500,000	90,000	1,590,000
	<u>\$ 5,000,000</u>	<u>\$ 707,000</u>	<u>\$ 5,707,000</u>

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

The annual requirements to amortize the General Obligation School Building Bonds Series 2010 outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 1,000,000	\$ 40,624	\$ 1,040,624
2015	1,000,000	20,626	1,020,626
2016	500,000	5,312	505,312
	<u>\$ 2,500,000</u>	<u>\$ 66,562</u>	<u>\$ 2,566,562</u>

The annual requirements to amortize the General Obligation School Building Bonds Series 2011 outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 700,000	\$ 295,875	\$ 995,875
2015	225,000	286,625	511,625
2016	850,000	273,749	1,123,749
2017	1,300,000	246,875	1,546,875
2018	1,500,000	208,126	1,708,126
2019-2022	5,000,000	359,062	5,359,062
	<u>\$ 9,575,000</u>	<u>\$ 1,670,312</u>	<u>\$ 11,245,312</u>

The annual requirements to amortize the Education Technology Notes Series 2011B outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 275,000	\$ 19,715	\$ 294,715
2015	440,000	14,270	454,270
2016	250,000	8,375	258,375
2017	240,000	3,000	243,000
	<u>\$ 1,205,000</u>	<u>\$ 45,360</u>	<u>\$ 1,250,360</u>

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

The annual requirements to amortize the General Obligation School Building Bonds Series 2012 outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 350,000	\$ 112,625	\$ 462,625
2015	350,000	107,375	457,375
2016	100,000	104,000	204,000
2017	125,000	102,313	227,313
2018	25,000	101,188	126,188
2019-2023	3,050,000	394,500	3,444,500
2024-2025	2,000,000	40,000	2,040,000
	<u>\$ 6,000,000</u>	<u>\$ 962,001</u>	<u>\$ 6,962,001</u>

The annual requirements to amortize the General Obligation School Building Bonds Series 2013 outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 240,000	\$ 87,406	\$ 327,406
2015	435,000	96,850	531,850
2016	350,000	89,000	439,000
2017	225,000	83,250	308,250
2018	25,000	80,750	105,750
2019-2023	1,725,000	325,250	2,050,250
2024-2026	2,000,000	135,500	2,135,500
	<u>\$ 5,000,000</u>	<u>\$ 898,006</u>	<u>\$ 5,898,006</u>

**General Obligation School Building Bonds Series 2006** – The District issued General Obligation School Building Bonds in the amount of \$6,000,000 on November 7, 2006 with staggered maturity dates. The last maturity date is August 1, 2018. The principal payment ranges from \$325,000 to \$850,000 with annual payments due August 1. The interest rate ranges from 3.65% to 4.25%, with semi-annual payments due on February 1 and August 1. The District was authorized to issue the bonds 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 school classrooms or any combination of these purposes.

**Education Technology Notes Series 2008** – The District issued Education Technology Notes in the amount of \$3,680,000 on July 22, 2008 with staggered maturity dates. The last maturity date was August 1, 2012. The principal payments ranged from \$655,000 to \$1,250,000 with annual payments due August 1. The interest rate ranges from 2.65% to 4.00%, with semi-annual payments due on February 1 and August 1. The District was authorized to issue the bonds 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 school classrooms or any combination of these purposes.

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

**General Obligation School Building Bonds Series 2009** – The District issued General Obligation School Building Bonds in the amount of \$6,000,000 on April 21, 2009 with staggered maturity dates. The last maturity date is August 1, 2020. The principal payment ranges from \$500,000 to \$800,000 with annual payments due August 1. The interest rate ranges from 3.00% to 4.00%, with semi-annual payments due on February 1 and August 1. The District was authorized to issue the bonds 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 school classrooms or any combination of these purposes.

**General Obligation School Building Bonds Series 2010** – The District issued General Obligation School Building Bonds in the amount of \$4,000,000 on February 23, 2010 with staggered maturity dates. The last maturity date is August 1, 2015. The principal payment ranges from \$500,000 to \$1,000,000 with annual payments due August 1. The interest rate ranges from 2.00% to 2.125%, with semi-annual payments due on February 1 and August 1. The District was authorized to issue the bonds 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 school classrooms or any combination of these purposes.

**General Obligation School Building Bonds Series 2011** – The District issued General Obligation School Building Bonds in the amount of \$10,000,000 on December 14, 2010 with staggered maturity dates. The last maturity date is August 1, 2021. The principal payment ranges from \$225,000 to \$1,500,000 with annual payments due August 1. The interest rate ranges from 2.00% to 4.00%, with semi-annual payments due on February 1 and August 1. The District was authorized to issue the bonds 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 school classrooms or any combination of these purposes.

**Education Technology Notes Series 2011B** – The District issued Education Technology Notes in the amount of \$1,330,000 on July 20, 2011 with staggered maturity dates. The last maturity date is August 1, 2016. The principal payment ranges from \$125,000 to \$440,000 with annual payments due August 1. The interest rate ranges from 1.45% to 2.50%, with semi-annual payments due on February 1 and August 1. The District was authorized to issue the bonds 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 school classrooms or any combination of these purposes.

**General Obligation School Building Bonds Series 2012** – The District issued General Obligation School Building Bonds in the amount of \$6,000,000 on May 16, 2012 with staggered maturity dates. The last maturity date is August 1, 2024. The principal payment ranges from \$25,000 to \$1,000,000 with annual payments due August 1. The interest rate ranges from 1.50% to 2.00%, with semi-annual payments due on February 1 and August 1. The District was authorized to issue the bonds 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 school classrooms or any combination of these purposes.

**General Obligation School Building Bonds Series 2013** – The District issued General Obligation School Building Bonds in the amount of \$5,000,000 on May 26, 2013 with staggered maturity dates. The last maturity date is August 1, 2025. The principal payment ranges from \$25,000 to \$600,000 with annual payments due August 1. The interest rate ranges from 2.00% to 2.50%, with semi-annual payments due on February 1 and August 1. The District was authorized to issue the bonds 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 school classrooms or any combination of these purposes.

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

The District has entered into a capital lease agreement with LaSalle Bank National Association for energy efficient equipment in the amount of \$1,445,876 on May 8, 2004 with quarterly payments due, including interest, with a rate of 4.11%. The last maturity date is February 26, 2015.

The annual requirements to amortize the Energy Efficient Capital Lease outstanding as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 167,618	\$ 9,779	\$ 177,397
2015	133,190	2,713	135,903
	<u>\$ 300,808</u>	<u>\$ 12,492</u>	<u>\$ 313,300</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, 2013, compensated absences increased \$9,894 from the prior year accrual. In prior years, the general fund was typically used to liquidate such long-term liabilities. See Note 1 for more details.

**NOTE 8. Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error omissions; and natural disasters, for which the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$15,000 deductible per occurrence with a maximum annual deductible of \$60,000. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2013, there have been no claims that have exceeded insurance coverage.

**STATE OF NEW MEXICO**  
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**NOTE 9. Pension Plan – Educational Retirement Board**

**Plan Description.** Substantially all of the District's full-time employees participate in an educational 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, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P. O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

**Funding Policy.**

**Member Contributions**

Plan members earning \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013, 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

**Employer Contributions**

In fiscal year 2013, the District was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, the District will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014 and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the District are established in State Statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,244,040, \$2,977,858, \$3,580,231, respectively, which equal the amount of the required contributions for each fiscal year.

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

**Plan Description.** The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

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

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

The District's contribution to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$585,300, \$569,619, \$530,099, respectively, which equal the required contributions for each year.

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**NOTE 11. Contingent Liabilities**

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

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

**NOTE 12. Other Required Individual Fund Disclosures**

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

- A. Deficit fund balance of individual funds. The District did not have any funds with deficit fund balances for the year ended June 30, 2013.
- B. Excess of expenditures over appropriations. The District did not have any funds with line item expenditures in excess of the budgeted appropriations for the year ended June 30, 2013.
- C. Designated cash appropriations in excess of available balance. The District did not have any funds with designated cash appropriations in excess of available balances for the year ended June 30, 2013.

**NOTE 13. Concentrations**

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

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**NOTE 14. Commitments**

The District had multiple construction projects ongoing as of the year ended June 30, 2013 that are to continue into the following fiscal year. These projects are as follows:

	Expected total project	paid as of 6/30/13	estimate for FY 13-14	estimate for FY 14-15
Desert Star Elementary (new construction)	7,551,548	(319,246)	2,169,691	5,062,611
Yucca Elementary (renovations)	1,751,597	(166,082)	158,552	1,426,964
Washington Ave Project	500,000	-	500,000	-
Total Commitments			<u>\$ 2,828,243</u>	<u>\$ 6,489,575</u>

**NOTE 15. Joint Powers Agreements**

The City of Alamogordo and the District are in agreement for the water rates charged to the District and the usage of the practice fields, District's running track, Recreation Center Pool, Oregon Tennis Courts, Desert Lakes Golf Course, Academy Del Sol and Hawaii Complex gyms, City equipment for turf renovation, and Alameda Park Pavilion. The City and the District are both responsible parties. The beginning and ending dates of this agreement are 07-01-2010 to 06-30-2014.

The New Mexico State University at Alamogordo (NMSU-A) and the District are in agreement to sponsor the APS-NMSU-A Joint Community Education Program to meet the needs for life-long learning and personal enrichment within the Alamogordo community. The responsible party is the NM State University at Alamogordo. The audit responsibility is with NMSU-A.

The Dell City Independent School District, Texas, and the District are in agreement that students who reside in Cienega, NM, within the Alamogordo Municipal School District, may be permitted to attend schools within the Dell City Independent School District. The District shall pay tuition to Dell City Independent School District for the students who attend Dell City Independent School District.

**NOTE 16. Restricted Net Position**

The government-wide statement of net position reports \$6,944,122 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related restrictions for restricted for special revenue, debt service and capital projects, see pages 31 and 60-63.

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**NOTE 17. Subsequent Events**

The District and the PSCOC Awarded the RFP for the new elementary, Desert Star, to National Construction for an overall cost of \$16,434,259, of which \$12,689,587 was determined to be the adequacy level (minimum requirement for student needs). The District's portion is 30% of the adequacy level (\$3,806,876) plus 100% for anything above adequacy (\$3,744,672) for a total of \$7,551,548. The PSFA's portion is 70% of the adequacy level for a total of \$8,882,711.

The District and the National Education Association of Alamogordo ratified the 2013-2014 Collective Bargaining Agreement which included an additional 0.5% raise to all employees over the 2012-13 salary schedules. Estimated cost is \$153,384.

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 1, 2013 which is the date on which the financial statements were issued.

**NOTE 18. Subsequent Pronouncements**

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The District will implement this standard during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The District will implement this standard during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the District in upcoming years.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The District will implement this standard during the fiscal year June 30, 2015.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, 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 April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The District is still evaluating how this reporting standard will affect the District.

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