

State of New Mexico

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT THEREON**

For the Fiscal Year Ended June 30, 2013

Cesar Chavez High School
Charter School
Component Unit of Deming Public Schools
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Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
DIRECTORY OF OFFICIALS
June 30, 2013

GOVERNING COUNCIL

Gloria Lopez	President
Rose Perez	Vice President
Eugene Sierra	Secretary
Neima Higuera	Treasurer
Katherine Hudson	Member
Maria Carrasco	Parent Ex-officios

SCHOOL OFFICIALS

Paul Reeves	Principal
Chris Masters	Accountant

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonemcgee@qwestoffice.net

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor
And
Governing Council
Cesar Chavez High School Charter School
Deming, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Cesar Chavez High School Charter School, a component unit of Deming Public Schools (School), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the School's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Cesar Chavez High School Charter School, a component unit of Deming Public Schools' nonmajor governmental funds, and the budgetary comparisons for the components of the general fund, the nonmajor special revenue funds, and the capital projects funds presented as other 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cesar Chavez High School Charter School, a component unit of Deming Public Schools as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Cesar Chavez High School Charter School, a component unit of Deming Public Schools as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the components of the general fund, the nonmajor special revenue funds, and the capital projects funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Cesar Chavez High School Charter School, a component unit of Deming Public Schools' financial statements that collectively comprise the School's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedules presented as other supplemental data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental data is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental data is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, on our consideration of the Cesar Chavez High School Charter School, a component unit of Deming Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 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 Cesar Chavez High School Charter School, a component unit of Deming Public Schools' internal control over financial reporting and compliance.

Stone, McGee & Co CPAs

Silver City, New Mexico
November 4, 2013

Stone, McGee & Co.
Certified Public Accountants

Cesar Chavez High School Charter School
Component Unit of Deming Schools
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,087,643
Due from other governments	120,398
Capital assets:	
Furniture and fixtures and equipment	320,478
Less accumulated depreciation	(83,432)
Total capital assets, net of depreciation	\$ 237,046
Total assets	\$ 1,445,087
Liabilities	
Accounts payable	\$ 20,046
Deferred revenue	33,410
Total liabilities	\$ 53,456
Net Position	
Net investment in capital assets	\$ 237,046
Restricted for:	
Capital projects	21,298
Other purposes	4,271
Unrestricted	1,129,016
Total net position	\$ 1,391,631

The accompanying notes are an integral part of these financial statements

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Charges for Services</u>
Governmental activities:		
Instruction	\$ 708,449	\$ -
Support services - Students	118,918	
Support services - Instruction		
General administration	74,406	
School administration	264,759	
Central services	101,214	
Operation of plant	256,349	
Other support services		
	\$ 1,524,095	\$ -

General revenues:

- State aid - formula grants
- Refunds and recoveries
- Donations and contributions
- Unrestricted investment earnings

Total general revenues and special items

Change in net position

Net position - beginning

Net position - ending

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

Revenues		Net (Expense) Revenue and Changes in Net Position
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
\$ 151,696	\$ -	\$ (556,753)
		(118,918)
		-
		(74,406)
		(264,759)
		(101,214)
	96,482	(159,867)
		-
<u>\$ 151,696</u>	<u>\$ 96,482</u>	<u>\$ (1,275,917)</u>

\$ 1,421,418
27,517
-
<u>3,792</u>
<u>\$ 1,452,727</u>
\$ 176,810
<u>1,214,821</u>
<u><u>\$ 1,391,631</u></u>

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Title I	School Improvement	TANF GRADS
Assets				
Cash and investments	\$ 1,028,664	\$ -	\$ -	\$ 33,410
Interfund receivable	109,448			
Due from other governments		55,417	63,951	
	<u>\$ 1,138,112</u>	<u>\$ 55,417</u>	<u>\$ 63,951</u>	<u>\$ 33,410</u>
Liabilities and Fund Balance				
Interfund payable	\$ -	\$ 55,417	\$ 53,001	\$ -
Accounts payable	9,096		10,950	
Deferred revenue				33,410
	<u>\$ 9,096</u>	<u>\$ 55,417</u>	<u>\$ 63,951</u>	<u>\$ 33,410</u>
Fund balance:				
Restricted for:				
Education	\$ -	\$ -	\$ -	\$ -
Capital projects				
Unassigned	1,129,016			
	<u>\$ 1,129,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total fund balance	<u>\$ 1,129,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 1,138,112</u>	<u>\$ 55,417</u>	<u>\$ 63,951</u>	<u>\$ 33,410</u>

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

<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ 25,569	\$ 1,087,643
	109,448
<u>1,030</u>	<u>120,398</u>
<u>\$ 26,599</u>	<u>\$ 1,317,489</u>
\$ 1,030	\$ 109,448
	20,046
	<u>33,410</u>
<u>\$ 1,030</u>	<u>\$ 162,904</u>
\$ 4,271	\$ 4,271
21,298	21,298
	<u>1,129,016</u>
<u>\$ 25,569</u>	<u>\$ 1,154,585</u>
<u>\$ 26,599</u>	<u>\$ 1,317,489</u>

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**
June 30, 2013

Total governmental fund balances	\$	1,154,585
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		237,046
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds: Intergovernmental grants subject to the 60 day availability period		-
 <i>Net Posisiton of Governmental Activities</i>	 \$	 <u><u>1,391,631</u></u>

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For the Fiscal Year Ended June 30, 2013

	<u>General Fund</u>	<u>Title I</u>	<u>School Improvement</u>	<u>TANF GRADS</u>
Revenues:				
Federal sources	\$ -	\$ 77,772	\$ 63,951	\$ -
State sources	1,430,361			
Miscellaneous	27,517			
Earnings from investments	3,792			
Total revenues	\$ 1,461,670	\$ 77,772	\$ 63,951	\$ -
Expenditures:				
Current:				
Instruction	\$ 546,875	\$ 77,772	\$ 63,951	\$ -
Support services - Students	118,918			
Support services - Instruction				
General administration	74,406			
School administration	264,759			
Central services	101,214			
Operation of plant	159,966			
Other support services				
Capital outlay				
Total expenditures	\$ 1,266,138	\$ 77,772	\$ 63,951	\$ -
Net change in fund balance	\$ 195,532	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	933,484			-
Fund balance, June 30, 2013	\$ 1,129,016	\$ -	\$ -	\$ -

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

Other Funds	Governmental Funds Total
\$ 1,030	\$ 142,753
96,482	1,526,843
	27,517
	3,792
<u>\$ 97,512</u>	<u>\$ 1,700,905</u>
\$ 1,030	\$ 689,628
	118,918
	-
	74,406
	264,759
	101,214
96,383	256,349
	-
	-
<u>\$ 97,413</u>	<u>\$ 1,505,274</u>
\$ 99	\$ 195,631
25,470	958,954
<u>\$ 25,569</u>	<u>\$ 1,154,585</u>

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
June 30, 2013

Net change in fund balances-total governmental funds	\$	195,631
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change during the year:		
Intergovernmental grants subject to the 60 day availability period		-
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense:		
Capital outlay		-
Depreciation expense		(18,821)
		(18,821)
 <i>Change in Net Position of Governmental Activities</i>	 \$	 176,810
		176,810

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	1,343,099	1,401,963	1,401,964	1
Local sources	<u> </u>	<u> </u>	<u>31,309</u>	<u>31,309</u>
 Total revenues	 <u>\$ 1,343,099</u>	 <u>\$ 1,401,963</u>	 <u>\$ 1,433,273</u>	 <u>\$ 31,310</u>
 Expenditures:				
Instruction	\$ 782,157	\$ 827,921	\$ 557,132	\$ 270,789
Support services - Students	180,175	182,675	118,918	63,757
Support services - Instruction				-
General administration	55,000	112,000	42,535	69,465
School administration	378,130	379,230	264,537	114,693
Central services	130,546	132,746	99,169	33,577
Operation of plant	408,192	358,492	159,701	198,791
Food services				-
Other support services				-
Non-operating				-
 Total expenditures	 <u>\$ 1,934,200</u>	 <u>\$ 1,993,064</u>	 <u>\$ 1,241,992</u>	 <u>\$ 751,072</u>
 Net change in fund balance	 \$ (591,101)	 \$ (591,101)	 \$ 191,281	 \$ 782,382
 Fund balance, July 1, 2012	 <u>591,101</u>	 <u>591,101</u>	 <u>946,831</u>	 <u>355,730</u>
 Fund balance, June 30, 2013	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,138,112</u>	 <u>\$ 1,138,112</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 195,532	
Revenue accruals (net)			(28,397)	
Expenditure accruals (net)			24,146	
 Net change in fund balance, NON-GAAP budgetary basis			 <u>\$ 191,281</u>	

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SPECIAL REVENUE FUND - TITLE I
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ 77,772	\$ (77,772)
Support services - Students				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,772</u>	<u>\$ (77,772)</u>
Net change in fund balance	\$ -	\$ -	\$ (77,772)	\$ (77,772)
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>22,355</u>	<u>22,355</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (55,417)</u></u>	<u><u>\$ (55,417)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(77,772)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (77,772)</u></u>	

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SPECIAL REVENUE FUND - TANF/GRADS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Current:				
Instruction			\$ -	\$ -
Capital outlay				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	<u>33,410</u>	<u>33,410</u>	<u>33,410</u>	<u>-</u>
Fund balance, June 30, 2013	<u><u>\$ 33,410</u></u>	<u><u>\$ 33,410</u></u>	<u><u>\$ 33,410</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SPECIAL REVENUE FUND - TITLE I SCHOOL IMPROVEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ 53,001	\$ (53,001)
Support services - Students				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,001</u>	<u>\$ (53,001)</u>
Net change in fund balance	\$ -	\$ -	\$ (53,001)	\$ (53,001)
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (53,001)</u></u>	<u><u>\$ (53,001)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(63,951)	
Expenditure accruals (net)			<u>10,950</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (53,001)</u></u>	

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2013

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 3,237</u>
Total assets	<u><u>\$ 3,237</u></u>
Liabilities	
Deposits held for others	<u>\$ 3,237</u>
Total liabilities	<u><u>\$ 3,237</u></u>

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

Cesar Chavez High School Charter School
COMPONENT UNIT OF DEMING PUBLIC SCHOOLS
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2013

Note A **Summary of Significant Accounting Policies**

Cesar Chavez High School Charter School, organized under the laws of the State of New Mexico, operates under the governing council-Director form of government. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The School is a component unit of Deming Public Schools. Deming Public Schools is the sponsoring organization for Cesar Chavez High School Charter School, however, the operation of the entities is separate and distinct.

The School's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below:

A. REPORTING ENTITY

These financial statements present the School (the primary government). As defined by Generally Accepted Accounting Principles, component units are legally separate entities that are included in the School's reporting entity because of the significance of their operating or financial relationships with the School. Based on the criterion in Generally Accepted Accounting Principles, the School had no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School has no business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental, and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it the primary operating fund of the School or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the School and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in the General fund are sub-funds; Operational, the Unrestricted District Fund; Instructional Materials, which accounts for State Source Funds used to purchase textbooks; Charter Planning, which accounts for federal funds to charter schools; and Microsoft Settlement, which accounts for funds received in settlement which are unrestricted.

Special Revenue Funds

Special Revenue Funds are used to account for revenue sources restricted to a specific use.

Capital Outlay Funds

Capital Outlay Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for capital purposes.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

Agency Funds account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e.) assets equal liabilities, they do not involve the measurements of results of operations. Agency Funds typically hold funds for clubs, classes, and other student organizations.

The emphasis in fund financial statements is on the major funds in the governmental category. Non-major funds are summarized into a single column.

The School's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in to the government-wide statements.

Major Fund Descriptions

General – See above description.

Special Revenue Funds

Title I/School Improvement – accounts for the federal assistance provided to the District for the improvement of educational opportunities to deprived children. (Authority, P.L. 103-382).

TANF/Grads – accounts for providing grants to States or Territories to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193. The fund was created by state grant provision.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflows of revenues, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings process is completed.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchanges and non-exchange like transactions are recognized when the exchange takes place.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available.

“Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognized liabilities and expenses and the recipient recognized receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The School's net position are reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position. The School first utilized restricted resources when an expense is incurred and for purposes for which both restricted and unrestricted net position are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues (certain intergovernmental revenues and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase use or directly benefit from the goods, services or privileges provided. Revenues in this category include fees charged for specific services, such as attendance at athletic events, food service, copies and auxiliary services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (intergovernmental revenues, interest income, etc.).

The School does not allocate indirect costs.

This government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

C. BUDGETS

Budget for the General, Special Revenue and Capital Projects Funds are prepared by management and approved by the local governing council and the Public Finance School Division of the Department of Education.

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 reappropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a functional category basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a "series", this may be accomplished with only local governing council approval. If a transfer between "series" or a budget increase is required, approval must also be obtained from Public Education Department.

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

D. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged securities remain in the name of the financial institution. Repurchase agreements are required to be collateralized 102%.

E. INVENTORIES

Except for U.S.D.A. commodities, which are shown at estimated value, inventories are valued at cost (first-in, first-out). Inventory in the Cafeteria Fund consists mainly of food items. Inventories, in other governmental fund types, consist primarily of supply-type assets. The School had no inventory at June 30, 2013.

F. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20- 50 years
Software and library resources	03-05 years
Machinery and equipment	05-10 years
Improvements	10-20 years

The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statement. In the government-wide financial statements, capital assets are accounted for as capital assets. In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

G. COMPENSATED ABSENCES

The School's policies, regarding vacation time, permit employees to accumulate earned but unusual vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources. At June 30, 2013 the School had no significant compensated absence liability.

H. EQUITY CLASSIFICATIONS

Government-wide Statements

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

- a. Net investment in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets:
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets, net of related debt.”

Fund Statements

During the year ended June 30, 2011, the School implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Education established (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

I. INTERFUND ACTIVITY

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund 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 inter-fund transactions are treated as transfers. Inter-fund activity between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

J. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the School's deposits may not be returned to it. The School does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2013 \$.00 of the School's bank balance of \$1,136,538 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>-0-</u>
Total	\$ <u><u>-0-</u></u>

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the District's names	886,538	840,880
Uninsured and uncollateralized	<u>-0-</u>	<u>-0-</u>
	<u>\$ 1,136,538</u>	<u>\$ 1,090,880</u>

Note C Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets being depreciated				
Other capital assets:				
Furniture and equipment	\$ 148,403	\$ -0-	\$ -0-	\$ 148,403
Leasehold improvements	<u>172,075</u>	<u>-0-</u>	<u>-0-</u>	<u>172,075</u>
Total other capital assets at historical cost	<u>\$ 320,478</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 320,478</u>
Less accumulated depreciation for:				
Furniture and equipment	\$ (50,992)	\$ (6,505)	\$ -0-	\$ (57,497)
Leasehold improvements	<u>(13,619)</u>	<u>(12,316)</u>	<u>-0-</u>	<u>(25,935)</u>
Total accumulated depreciation	<u>\$ (64,611)</u>	<u>\$ (18,821)</u>	<u>\$ -0-</u>	<u>\$ (83,432)</u>
Total capital assets, net	<u>\$ 255,867</u>	<u>\$ (18,821)</u>	<u>\$ -0-</u>	<u>\$ 237,046</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	<u>\$ 18,821</u>
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Note D Retirement Plan

Plan Description

Substantially all of the Cesar Chavez High School Charter School full-time employees participate in a public employee retirement system authorized under the Educational

Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 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 Cesar Chavez High School Charter School 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 Cesar Chavez High School Charter School 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 Cesar Chavez High School Charter School are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Cesar Chavez High School Charter School's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$141,456, \$105,172, and \$138,927, respectively, which equal the amount of the required contributions for each fiscal year.

Note E Retiree Health Care Act Contributions

Plan Description

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA 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; and 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The Retiree Health Care Authority 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 N.E., Suite 104, Albuquerque, New Mexico 87107.

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans, 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to 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 Cesar Chavez High School Charter School contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$14,533, \$15,510 and \$12,025, respectively, which equal the required contributions for each year.

Note F Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. Because the District was unable to obtain general liability insurance at a cost it considered to be economically justifiable, it joined together with other school districts in the State and obtained insurance coverage with New Mexico Public Schools Insurance Authority, a public entity is risk pool currently operating as a common risk management and insurance program for member school districts. The School pays an annual premium to New Mexico Public Schools Insurance Authority for its general insurance coverage, and all risk of loss is transferred. No losses exceeded insurance in the past three years.

The New Mexico Public Schools Insurance Authority is self-insured for property and liability losses below \$250,000 and purchased excess insurance above the self-insured retention. The self-insured retention aggregate for property is set at \$2,000,000 with a \$1,000,000 stop loss. The self-insured retention aggregate for liability is \$3,000,000 with a \$1,000,000 stop loss.

Note G Contingent Liabilities

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

Note H Restricted Net Position

At June 30, 2013, assets restricted for other purposes were the following Special Revenue Funds:

Teacher Mentoring	<u>\$ 4,271</u>
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The School reports \$25,569 in restricted assets, of which \$25,569 is restricted by enabling legislation.

Note I Fund Balance Deficits

Fund balance deficits occur through the application of modified accrual accounting to cash basis budgeting. As funds are received in the subsequent year, the deficit fund balance will be reduced. The School had no deficits at June 30, 2013.

Note J The Charter School leases a school building from Deming Public Schools. The lease is renegotiated annually, and currently requires payment annually of \$700 times the average full-time-equivalent enrollment on the eightieth and one hundred twentieth day of the prior school year.

The Charter School paid \$109,782 in rent to Deming Public Schools during the year ended June 30, 2013.

Note K Inter-fund Activity

Inter-fund balances at June 30, 2013, consisted of the following:

<u>Inter-fund Receivable</u>	<u>Inter-Fund Payable</u>			
	<u>Other Funds</u>	<u>Title I</u>	<u>School Improvement</u>	<u>Total</u>
General	<u>\$ 1,030</u>	<u>\$ 55,417</u>	<u>\$ 53,001</u>	<u>\$ 109,448</u>

All amounts are expected to be repaid within one year. The purpose of this loan was to provide temporary funds in anticipation of grant revenues.

Note L Evaluation of Subsequent Events

The School has evaluated subsequent events through November 4, 2013, the date which the financial statements were available to be issued.

Note M Budgetary Authority

The School expended funds in excess of budgetary authority in the following funds and functions:

Title I - Instruction	\$ 77,772
Title I School Improvement – Instruction	53,001
Title I Stimulus – Instruction	1,030
Public School Capital Outlay – Operations	96,383

The School intends to revise its budget policies to prevent such occurrences in the future.

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
FUND DESCRIPTIONS
June 30, 2013

CAPITAL PROJECTS FUNDS

Public School Capital Outlay – to account for the state resources for various capital projects.

Special Capital Outlay State – to account for the state resources to be used for specific construction projects.

AGENCY FUNDS

Agency Fund – to account for monies held in custodial account (assets equal liabilities) for the benefit of others. Individual accounts are identified by name in the supporting schedule section of this report.

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013

	Special Revenue Funds		Capital Projects Funds	
	Title I Stimulus	Teacher Mentoring	PSCO	Total
Assets				
Cash and investments	\$ -	\$ 4,271	\$ 21,298	\$ 25,569
Interfund receivable				-
Due from other governments	1,030			1,030
Total assets	\$ 1,030	\$ 4,271	\$ 21,298	\$ 26,599
Liabilities and Fund Balance				
Interfund payable	\$ 1,030	\$ -	\$ -	\$ 1,030
Accounts payable				-
Deferred revenue				-
Total liabilities	\$ 1,030	\$ -	\$ -	\$ 1,030
Fund balance:				
Restricted for:				
Education	\$ -	\$ 4,271	\$ -	\$ 4,271
Capital projects			21,298	21,298
Unassigned				-
Total fund balance	\$ -	\$ 4,271	\$ 21,298	\$ 25,569
Total liabilities and fund balance	\$ 1,030	\$ 4,271	\$ 21,298	\$ 26,599

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2013

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	
	<u>Title I Stimulus</u>	<u>Teacher Mentoring</u>	<u>PSCO</u>	<u>Total</u>
Revenues:				
Federal sources	\$ 1,030	\$ -	\$ -	\$ 1,030
State aid			96,482	96,482
Miscellaneous				-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	\$ 1,030	\$ -	\$ 96,482	\$ 97,512
	<hr/>	<hr/>	<hr/>	<hr/>
Expenditures:				
Current:				
Instruction	\$ 1,030	\$ -	\$ -	\$ 1,030
Operation of plant			96,383	96,383
Capital outlay				-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	\$ 1,030	\$ -	\$ 96,383	\$ 97,413
	<hr/>	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	\$ -	\$ -	\$ 99	\$ 99
Other financing sources:				
Operating transfers in (out)				-
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balances	\$ -	\$ -	\$ 99	\$ 99
Fund balance, July 1, 2012	<hr/>	4,271	21,199	25,470
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ 4,271</u>	<u>\$ 21,298</u>	<u>\$ 25,569</u>

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
GENERAL FUND
COMBINING BALANCE SHEETS
June 30, 2013

	Operational	Instructional Materials	Microsoft Settlement	Total General Fund
Assets				
Cash and investments	\$ 994,113	\$ 11,875	\$ 22,676	\$ 1,028,664
Interfund receivable	109,448			109,448
Due from other governments				-
	<u>\$ 1,103,561</u>	<u>\$ 11,875</u>	<u>\$ 22,676</u>	<u>\$ 1,138,112</u>
Liabilities and Fund Balance				
Accounts payable	\$ 9,096	\$ -	\$ -	\$ 9,096
Total liabilities	<u>\$ 9,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,096</u>
Fund balance:				
Unassigned	\$ 1,094,465	\$ 11,875	\$ 22,676	\$ 1,129,016
Total fund balance	<u>\$ 1,094,465</u>	<u>\$ 11,875</u>	<u>\$ 22,676</u>	<u>\$ 1,129,016</u>
Total liabilities and fund balance	<u>\$ 1,103,561</u>	<u>\$ 11,875</u>	<u>\$ 22,676</u>	<u>\$ 1,138,112</u>

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

Cesar Chavez Charter School
Component Unit of Deming Public Schools
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND FUND BALANCE
For the Fiscal Year Ended June 30, 2013

	Operational	Instructional Materials	Microsoft Settlement	Total General Fund
Revenues:				
State sources	\$ 1,421,418	\$ 8,943	\$ -	\$ 1,430,361
Miscellaneous	27,517			27,517
Earnings from investments	3,792			3,792
	\$ 1,452,727	\$ 8,943	\$ -	\$ 1,461,670
Expenditures:				
Current:				
Instruction	\$ 546,875	\$ -	\$ -	\$ 546,875
Support services - Students	118,918			118,918
General administration	74,406			74,406
School administration	264,759			264,759
Central services	101,214			101,214
Operation of plant	159,966			159,966
Other support services				-
Capital outlay				-
	\$ 1,266,138	\$ -	\$ -	\$ 1,266,138
Revenues over (under) expenditures	\$ 186,589	\$ 8,943	\$ -	\$ 195,532
Other financing sources:				
Operating transfers in (out)				-
Net change in fund balances	\$ 186,589	\$ 8,943	\$ -	\$ 195,532
Fund balance, July 1, 2012	907,876	2,932	22,676	933,484
Fund balance, June 30, 2013	\$ 1,094,465	\$ 11,875	\$ 22,676	\$ 1,129,016

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
GENERAL FUND\ OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	1,334,156	1,393,020	1,393,021	1
Local sources			31,309	31,309
	<u>\$ 1,334,156</u>	<u>\$ 1,393,020</u>	<u>\$ 1,424,330</u>	<u>\$ 31,310</u>
Total revenues				
Expenditures:				
Current:				
Instruction	\$ 773,214	\$ 818,978	\$ 557,132	\$ 261,846
Support services - Students	180,175	182,675	118,918	63,757
Support services - Instruction				-
General administration	55,000	112,000	42,535	69,465
School administration	378,130	379,230	264,537	114,693
Central services	130,546	132,746	99,169	33,577
Operation of plant	408,192	358,492	159,701	198,791
Transportation				-
Other support services				-
Capital outlay				-
	<u>\$ 1,925,257</u>	<u>\$ 1,984,121</u>	<u>\$ 1,241,992</u>	<u>\$ 742,129</u>
Total expenditures				
Revenues over (under) expenditures	\$ (591,101)	\$ (591,101)	\$ 182,338	\$ 773,439
Other financing sources (uses):				
Transfers out				-
	<u>\$ (591,101)</u>	<u>\$ (591,101)</u>	<u>\$ 182,338</u>	<u>\$ 773,439</u>
Net change in fund balance				
Fund balance, July 1, 2012	591,101	591,101	921,223	330,122
	<u>591,101</u>	<u>591,101</u>	<u>921,223</u>	<u>330,122</u>
Fund balance, June 30, 2013	\$ -	\$ -	\$ 1,103,561	\$ 1,103,561
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,103,561</u>	<u>\$ 1,103,561</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 186,589	
Revenue accruals (net)			(28,397)	
Expenditure accruals (net)			24,146	
Expenditure accruals (net)				
			<u>\$ 182,338</u>	
Net change in fund balance, NON-GAAP budgetary basis				

The accompanying notes are an integral part of these financial statements

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
GENERAL FUND \ INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 8,943	\$ 8,943	\$ 8,943	\$ -
Local sources				-
	<u>\$ 8,943</u>	<u>\$ 8,943</u>	<u>\$ 8,943</u>	<u>\$ -</u>
Total revenues				
	<u>\$ 8,943</u>	<u>\$ 8,943</u>	<u>\$ 8,943</u>	<u>\$ -</u>
Expenditures:				
Current:				
Instruction	\$ 8,943	\$ 8,943	\$ -	\$ 8,943
Support services - Instruction				-
	<u>\$ 8,943</u>	<u>\$ 8,943</u>	<u>\$ -</u>	<u>\$ 8,943</u>
Total expenditures				
	<u>\$ 8,943</u>	<u>\$ 8,943</u>	<u>\$ -</u>	<u>\$ 8,943</u>
Net change in fund balance	\$ -	\$ -	\$ 8,943	\$ 8,943
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>2,932</u>	<u>2,932</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,875</u>	<u>\$ 11,875</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 8,943	
Revenue accruals (net)				
Expenditure accruals (net)			<u> </u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 8,943</u>	

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
GENERAL FUND/MICROSOFT SETTLEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students				-
General administration				-
School administration				-
Central services				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	<u>22,676</u>	<u>22,676</u>	<u>22,676</u>	<u>-</u>
Fund balance, June 30, 2013	<u><u>\$ 22,676</u></u>	<u><u>\$ 22,676</u></u>	<u><u>\$ 22,676</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SPECIAL REVENUE FUND - TITLE I STIMULUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ 1,030	\$ (1,030)
Support services - Students				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,030</u>	<u>\$ (1,030)</u>
Net change in fund balance	\$ -	\$ -	\$ (1,030)	\$ (1,030)
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,030)</u></u>	<u><u>\$ (1,030)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(1,030)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (1,030)</u></u>	

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SPECIAL REVENUE FUND - TEACHER MENTORING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	4,271	4,271
Fund balance, June 30, 2013	\$ -	\$ -	\$ 4,271	\$ 4,271
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
CAPITAL PROJECTS FUND - PUBLIC SCHOOL CAPITAL OUTLAY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ 96,482	\$ 96,482
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,482</u>	<u>\$ 96,482</u>
Expenditures:				
Current:				
Operation	\$ -	\$ -	\$ 96,383	\$ (96,383)
Capital outlay				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,383</u>	<u>\$ (96,383)</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ 99	\$ 99
Other financing sources (uses):				
Transfers out				
Net change in fund balance	\$ -	\$ -	\$ 99	\$ 99
Fund balance, June 30, 2012			<u>\$ 21,199</u>	<u>\$ 21,199</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,298</u>	<u>\$ 21,298</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 99	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing uses (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 99</u>	

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
CAPITAL PROJECTS FUND - SB-9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 41,445	\$ 41,445	\$ 41,445	\$ -
Total revenues	<u>\$ 41,445</u>	<u>\$ 41,445</u>	<u>\$ 41,445</u>	<u>\$ -</u>
Expenditures:				
Current:				
Operation	\$ 41,445	\$ 41,445	\$ -	\$ 41,445
Capital outlay				-
Total expenditures	<u>\$ 41,445</u>	<u>\$ 41,445</u>	<u>\$ -</u>	<u>\$ 41,445</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ 41,445	\$ 41,445
Other financing sources (uses):				
Transfers in				
Net change in fund balance	\$ -	\$ -	\$ 41,445	\$ 41,445
Fund balance, June 30, 2012	<u>-</u>	<u>-</u>	<u>(41,445)</u>	<u>\$ (41,445)</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			41,445	
Expenditure accruals (net)			-	
Other financing uses (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 41,445</u></u>	

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2013

	<u>Balance</u> <u>July 1, 2011</u>	<u>Receipts</u>	<u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2012</u>
Assets				
Cash and investments:				
Cesar Chavez Charter School	\$ 2,251	\$ 2,012	\$ 1,026	\$ 3,237
Total assets	<u>\$ 2,251</u>	<u>\$ 2,012</u>	<u>\$ 1,026</u>	<u>\$ 3,237</u>
Liabilities				
Deposits held for others:				
Cesar Chavez Charter School	\$ 2,251	\$ 2,012	\$ 1,026	\$ 3,237
Total liabilities	<u>\$ 2,251</u>	<u>\$ 2,012</u>	<u>\$ 1,026</u>	<u>\$ 3,237</u>

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

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2013

	<u>First NM Bank</u>	<u>Total</u>
Checking and CD's	<u>\$ 1,136,538</u>	<u>\$ 1,136,538</u>
Total on deposit	\$ 1,136,538	\$ 1,136,538
Less: FDIC insurance	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 886,538</u>	<u>\$ 886,538</u>
50 % collateral	\$ 443,269	\$ 443,269
Pledged Collateral;		
Mora, NM Ind. School 616412EJ7 7/1/16	271,593	271,593
FNMA 899172HF0 9/15/17	235,415	235,415
So. Sandoval, NM 843789EH7 8/1/21	267,545	267,545
Tularosa, NM 899172HA1 1/1/16	<u>212,438</u>	<u>212,438</u>
Total pledged securities	<u>\$ 986,991</u>	<u>\$ 986,991</u>
Pledged securities over (under) requirement	<u>\$ 543,722</u>	<u>\$ 543,722</u>

Securities pledged by First NM Bank are held by the Independent Bankers Bank in Dallas, Texas
Safekeeping receipts are held by the District.

Cesar Chavez High School Charter School
 Component Unit of Deming Public Schools
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2013

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>First NM Bank</u>			
Agency	Checking	\$ 3,237	\$ 3,237
Operational	Checking	<u>1,133,301</u>	<u>1,087,643</u>
Total cash		<u><u>\$ 1,136,538</u></u>	<u><u>\$ 1,090,880</u></u>

Cesar Chavez High School Charter School
 Component Unit of Deming Schools
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
 For The Fiscal Year Ended June 30, 2013

	Operational	Instructional Materials	Federal Flowthrough	Federal Direct
Total cash and investments as of July 1, 2012	\$ 907,876	\$ 2,932	\$ 22,355	\$ 33,410
Add: Current year receipts	1,424,330	8,943		
Prior year warrants voided				
Less: Current year expenditures	(1,210,210)		(131,804)	
Chargebacks/(Overdrafts)				
Receivables/payables				
Transfers				
Total cash and investments as of June 30, 2013 per cash report	\$ 1,121,996	\$ 11,875	\$ (109,449)	\$ 33,410
Audit adjustment	(18,434)			
Cash and investments per audit report	\$ 1,103,562	\$ 11,875	\$ (109,449)	\$ 33,410

Cesar Chavez High School Charter School
Component Unit of Deming Schools
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2013

	<u>Local Grants</u>	<u>State Flowthrough</u>	<u>State Direct</u>	<u>Public School Capital Outlay</u>	<u>SB-9</u>
Total cash and investments as of July 1, 2012	\$ 22,676	\$ 4,271	\$ -	\$ 21,199	\$ (41,445)
Add: Current year receipts				96,482	41,445
Prior year warrants voided					
Less: Current year expenditures				(96,383)	
Abatements					
Receivables/payables					
Transfers					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments as of June 30, 2013 per cash repor	\$ 22,676	\$ 4,271	\$ -	\$ 21,298	\$ -
Audit adjustment					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Cash and investments per audit report	<u>\$ 22,676</u>	<u>\$ 4,271</u>	<u>\$ -</u>	<u>\$ 21,298</u>	<u>\$ -</u>

Cesar Chavez High School Charter School
Component Unit of Deming Schools
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2013

	Agency	Total
Total cash and investments as of July 1, 2012	\$ 2,251	\$ 975,525
Add: Current year receipts	2,012	1,573,212
Prior year warrants voided		-
Less: Current year expenditures	(1,026)	(1,439,423)
Abatements		-
Receivables/payables		-
Transfers		-
	\$ 3,237	\$ 1,109,314
Total cash and investments as of June 30, 2013 per cash report		
Audit adjustment		(18,434)
Cash and investments per audit report	\$ 3,237	\$ 1,090,880

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2013

Findings – Financial Statement Audit

None

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonemcgee@qwestoffice.net

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

Hector H. Balderas, State Auditor
And
Governing Council
Cesar Chavez High School Charter School
Deming, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Cesar Chavez High School Charter School, a component unit of Deming Public Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Cesar Chavez High School Charter School, a component unit of Deming Public Schools' basic financial statements, and the combining and individual fund financial statements and related budgetary comparisons of the School presented as other supplementary information, and have issued our report thereon dated November 4, 2013.

Internal Control Over financial Reporting

In planning and performing our audit of the financial statements, we considered Cesar Chavez High School Charter School, a component unit of Deming Public Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cesar Chavez High School Charter School, a component unit of Deming Public Schools' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cesar Chavez High School Charter School, a component unit of Deming Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and responses as items 2013-1, 2013-2, 2013-3, 2013-4, and 2013-5.

Cesar Chavez High School Charter School, a component unit of Deming Public Schools' Responses to Findings

Cesar Chavez High School Charter School, a component unit of Deming Public Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone, McGee & Co CPAs

Silver City, New Mexico
November 4, 2013

Stone, McGee & Co.
Certified Public Accountants

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Cesar Chavez High School Charter School, a component unit of Deming Public Schools.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Cesar Chavez High School Charter School, a component unit of Deming Public Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Cesar Chavez High School Charter School, a component unit of Deming Public Schools, expended less than \$500,000 in federal funds.

FINDINGS – FINANCIAL STATEMENT AUDIT

2013-1 Cash Reporting (Other)

Condition – The School's actual cash in bank was \$18,434 less than that reported to the New Mexico Public Education Department on the School's year-end cash report.

Criteria – Sound accounting practices and the New Mexico Public Education Department's *Manual of Procedures* requires that actual cash in bank be reconciled to general ledger amounts, and that the general ledger amounts, on a by fund basis, equal actual cash in bank.

Effect – Erroneous reporting of actual cash balancing can affect budget preparation, and does not allow proper analysis of the year-end reports by supervisory personnel, and the New Mexico Public Education Department.

Cause – The School was not able to identify and correct the difference in cash before the final year-end reports were prepared.

Recommendation – We recommend that the School reconcile actual cash in bank to the general ledger reported amounts, and that the appropriate adjustments be made to the general ledger amounts monthly, prior to preparation of financial reports.

Agency Response – The School was aware of the discrepancy, and it was reported as such to the New Mexico Department of Education on our year-end reports. Now that the correct cash balances have been established, we believe that the actual cash balances will be reflected in general ledger amounts.

2013-2 Maintenance of Personnel Records (Other)

Condition – In 14 of 25 personnel files tested, we noted 14 instances where the federal form I-9 was not completed properly.

Criteria – The Form I-9 is required by the United States of America to provide proof of citizenship for employees. This form is required to be completed and maintained in the employee file, subject to inspection by representatives of the United States government.

Effect – Incomplete I-9 forms is a violation of payroll regulations, and subjects the School to significant penalties if the documents are inspected by representatives of the United States government and found to be non-compliant.

Cause – School personnel were obtaining the required I-9s, but were not making and evidencing the required certifications. School personnel believed that obtaining the forms from employees was sufficient, and were not aware of the additional requirements.

Recommendation – We recommend that the School review all personnel files, and make corrections to the I-9s to make them compliant with federal law.

Agency response – The recommendation will be adopted, and we are currently in the process of completing the I-9s properly for all employees.

2013-3 Travel and Per Diem Rates (Other)

Condition – In a review of 25 travel reimbursement requests, we noted five instances where the School reimbursed the employee in excess of approved rates. The total amount reimbursed in excess of approved rates for these five instances was \$50. In one instance we noted that the employee was under-reimbursed by \$35.

Criteria – The Per Diem and Mileage Act, sections 10-8-1 to 10-8-8 of NMSA 1978 and Regulations Governing the Per Diem and Mileage Act, 2.42.2 NMAC, establish rates for the reimbursement of travel costs. The School has adopted these rates as a matter of policy. These rates must be used to reimburse employees and board members for authorized travel.

Effect – The School has violated the aforementioned statutes and regulations, and over-expenditure of funds could result.

Cause – The partial day reimbursement regulation was interpreted incorrectly, and confusion existed as to the daily rate to be paid when the School was reimbursing meals only.

Recommendation – We recommend that the School reimburse for travel in accordance with the rates detailed in 2.42.2 NMAC.

Agency Response – The recommendation has been adopted. We have obtained the current rates, and will use them to determine reimbursement for employee travel.

2013-4 Budgetary Controls (Other)

Condition – The School incurred expenditures in excess of budgetary authority in the following funds and functions:

Title I – Instruction	\$77,772
Title I School Improvement – Instruction	53,001
Title I Stimulus – Instruction	1,030
Public School Capital Outlay – Operations	96,383

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part, that expenditures not exceed budgetary authority.

Effect – The internal controls established by adherence to budgets has been compromised, and excess spending could result. In addition, New Mexico statutes have been violated.

Cause – The District did not request the budget adjustments to alleviate these budget overruns. School personnel were unaware of the budget requirements related to pass-through funding from Deming Public Schools.

Recommendation – We recommend that the District adhere to their policy of reviewing expenditures and requesting budget adjustments where necessary.

Agency Response – The Title I expenditures pass through from Deming Public Schools, of which we are a component unit. We were unaware that budgets needed to be adopted for these pass-through funds. The over-expenditure of the PSCO funds was overlooked when budget adjustment requests were made. In the future, we will adopt budgets for all funds, and review expenditures periodically to ensure adherence to budget constraints.

2013-5 Contracting for Audit Services (Other)

Condition – The recommendation for audit services and the audit contract was submitted to the New Mexico State Auditor for his approval on July 29, 2013.

Criteria – Subsection G, paragraph 6 of 2.2.2.8 NMAC, 2013, commonly called the Audit Rule, requires school districts to submit the recommendation for audit services and the signed audit contract by May 1, 2013.

Effect – Lack of an audit contract could delay the audit process and jeopardize timely financial reporting by the entity. In addition, 2.2.2 NMAC regulations have been violated.

Cause – Miscommunication between Deming Public Schools' personnel resulted in the audit contract not being executed and submitted by the appropriate deadline.

Recommendation – We recommend that the School comply with 2.2.2 NMAC submission deadlines when submitting future contracts.

Agency Response – The submission of the audit recommendation and contract is a function of our sponsoring organization, Deming Public Schools. However, we have calendared the mandated deadline, and will communicate with Deming Public Schools concerning its submission in the future.

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., CPA's

EXIT CONFERENCE

The contents of this report were discussed on October 18, 2013. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Bayne Anderson	Board President	Deming Public Schools
Paul Reeves	Principal	Cesar Chavez High School
Chris Masters	Accountant	Cesar Chavez High School
Harvielee Moore	Superintendent	Deming Public Schools
Ted Burr	Assoc. Supt. of Finance	Deming Public Schools
Lloyd Valentine	Audit Committee Member	Deming Public Schools
Teresa Hutts	Audit Committee Member	Deming Public Schools
Mike Stone	Shareholder	Stone, McGee & Co., CPA's