

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, 2015

Cesar Chavez High School
Charter School
Component Unit of Deming Public Schools
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June 30, 2015

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Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
DIRECTORY OF OFFICIALS
June 30, 2015

GOVERNING COUNCIL

Antoinette Zunich	President
Victor Cruz	Vice-President
Neima Higuera	Treasurer
Gloria Lopez	Secretary
Gabe Dominguez	Member

SCHOOL OFFICIALS

Stan Lyons	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.

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INDEPENDENT AUDITOR'S REPORT

Timothy Keller, 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, 2015, 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, the components of the general fund 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, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2015, 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 and the components of the general fund of the Cesar Chavez High School Charter School, a component unit of Deming Public Schools as of June 30, 2015, 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.

The Schedule of Vendor Information, listed as other information in the table of contents, 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 5, 2015, 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 5, 2015

Stone, McGee & Co.
Certified Public Accountants

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,347,200
Due from other governments	234,417
Capital assets:	
Furniture and fixtures and equipment	459,160
Less accumulated depreciation	(112,855)
Total capital assets, net of depreciation	\$ 346,305
Total assets	\$ 1,927,922
Deferred Outflows of Resources	
Related to pensions	\$ 225,905
Liabilities	
Accounts payable	\$ 10,317
Long-term liabilities:	
Portion due or payable after one year:	
Net pension liability	1,676,905
Total liabilities	\$ 1,687,222
Deferred Inflows of Resources	
Related to pensions	\$ 177,444
Unavailable revenue	37,681
Total deferred inflows of resources	\$ 215,125
Net Position	
Net investment in capital assets	\$ 346,305
Unrestricted	(94,825)
Total net position	\$ 251,480

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, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Charges for Services</u>
Governmental activities:		
Instruction	\$ 712,807	\$ -
Support services - Students	145,939	
Support services - Instruction		
General administration	111,388	
School administration	258,983	
Central services	124,153	
Operation of plant	241,044	
Other support services		
	\$ 1,594,314	\$ -

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 of year, as originally stated

Restatement

Net position, beginning of year, as restated

Change in net position

Net position - end of year

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

Revenues		Net (Expense) Revenue and Changes in Net Position
Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
\$ 56,518	\$ -	\$ (656,289)
		(145,939)
		-
		(111,388)
		(258,983)
		(124,153)
	93,308	(147,736)
		-
<u>\$ 56,518</u>	<u>\$ 93,308</u>	<u>\$ (1,444,488)</u>

\$ 1,617,191
83,913
<u>3,946</u>
<u>\$ 1,705,050</u>
<u>\$ 260,562</u>
\$ 1,546,488
<u>(1,555,570)</u>
\$ (9,082)
<u>260,562</u>
<u><u>251,480</u></u>

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Title I	TANF GRADS	School Improvement
Assets				
Cash and investments	\$ 1,309,519	\$ -	\$ 33,410	\$ -
Interfund receivable	234,417			
Due from other governments		124,290		108,038
	<u>\$ 1,543,936</u>	<u>\$ 124,290</u>	<u>\$ 33,410</u>	<u>\$ 108,038</u>
Liabilities				
Interfund payable	\$ -	\$ 124,290	\$ -	\$ 108,038
Accounts payable	10,317			
	<u>\$ 10,317</u>	<u>\$ 124,290</u>	<u>\$ -</u>	<u>\$ 108,038</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ 33,410	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,410</u>	<u>\$ -</u>
Fund balance:				
Restricted for:				
Education	\$ -	\$ -	\$ -	\$ -
Capital projects				
Unassigned	1,533,619			
	<u>\$ 1,533,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 1,543,936</u>	<u>\$ 124,290</u>	<u>\$ 33,410</u>	<u>\$ 108,038</u>

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

<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ 4,271	\$ 1,347,200
	234,417
<u>2,089</u>	<u>234,417</u>
<u>\$ 6,360</u>	<u>\$ 1,816,034</u>
\$ 2,089	\$ 234,417
	10,317
<u>2,089</u>	<u>244,734</u>
\$ 4,271	\$ 37,681
<u>4,271</u>	<u>37,681</u>
\$ -	\$ -
	-
	<u>1,533,619</u>
<u>\$ -</u>	<u>\$ 1,533,619</u>
<u>\$ 6,360</u>	<u>\$ 1,816,034</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, 2015

Total governmental fund balances	\$	1,533,619
 <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.		346,305
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred inflows of resources related to pensions		(177,444)
Deferred outflows of resources related to pensions		225,905
Long-term liabilities, including bonds payable, accrued interest payable, and compensated absences are not due and payable in the current period and therefore are not reported in the funds:		
Net pension liability		<u>(1,676,905)</u>
 <i>Net Position of Governmental Activities</i>	 \$	 <u><u>251,480</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, 2015

	General Fund	Title I	TANF GRADS	School Improve.	Other Funds	Governmental Funds Total
Revenues:						
Federal sources	\$ -	\$ 47,125	\$ -	\$ -	\$ -	\$ 47,125
State sources	1,626,584				93,308	1,719,892
Miscellaneous	83,913					83,913
Earnings from investments	3,946					3,946
Total revenues	\$ 1,714,443	\$ 47,125	\$ -	\$ -	\$ 93,308	\$ 1,854,876
Expenditures:						
Current:						
Instruction	\$ 606,593	\$ 47,125	\$ -	\$ -	\$ -	\$ 653,718
Support services - Students	134,752					134,752
Support services - Instruction						-
General administration	111,388					111,388
School administration	253,429					253,429
Central services	113,650					113,650
Operation of plant	123,869				114,606	238,475
Other support services						-
Capital outlay	138,682					138,682
Total expenditures	\$ 1,482,363	\$ 47,125	\$ -	\$ -	\$ 114,606	\$ 1,644,094
Net change in fund balance	\$ 232,080	\$ -	\$ -	\$ -	\$ (21,298)	\$ 210,782
Fund balance, July 1, 2014	1,301,539				21,298	1,322,837
Fund balance, June 30, 2015	<u>\$ 1,533,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,533,619</u>

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

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, 2015

Net change in fund balances-total governmental funds	\$	210,782
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
Pension contributions		90,334
Cost of benefits earned net of employee contributions		(163,208)
 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		138,682
Depreciation expense		(16,028)
		(16,028)
 <i>Change in Net Position of Governmental Activities</i>	 \$	 260,562
		260,562

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	1,591,758	1,591,758	1,594,240	2,482
Local sources	3,000	3,000	87,859	84,859
 Total revenues	 \$ 1,594,758	 \$ 1,594,758	 \$ 1,682,099	 \$ 87,341
Expenditures:				
Instruction	\$ 1,131,201	\$ 1,131,201	\$ 619,925	\$ 511,276
Support services - Students	188,440	188,440	139,273	49,167
Support services - Instruction				-
General administration	143,000	143,000	76,511	66,489
School administration	413,900	413,900	256,178	157,722
Central services	137,700	137,700	120,950	16,750
Operation of plant	502,531	502,531	263,656	238,875
Other support services				-
Capital outlay	7,032	7,032	7,032	-
 Total expenditures	 \$ 2,523,804	 \$ 2,523,804	 \$ 1,483,525	 \$ 1,040,279
 Net change in fund balance	 \$ (929,046)	 \$ (929,046)	 \$ 198,574	 \$ 1,127,620
 Fund balance, July 1, 2014	 929,046	 929,046	 1,345,362	 416,316
 Fund balance, June 30, 2015	 \$ -	 \$ -	 \$ 1,543,936	 \$ 1,543,936
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 232,080	
Revenue accruals (net)			(32,344)	
Expenditure accruals (net)			(1,162)	
 Net change in fund balance, NON-GAAP budgetary basis			 \$ 198,574	

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 47,125	\$ 47,125	\$ 47,125	\$ -
Total revenues	<u>\$ 47,125</u>	<u>\$ 47,125</u>	<u>\$ 47,125</u>	<u>\$ -</u>
Expenditures:				
Current:				
Instruction	\$ 47,125	\$ 47,125	\$ 47,125	\$ -
Support services - Students				-
Total expenditures	<u>\$ 47,125</u>	<u>\$ 47,125</u>	<u>\$ 47,125</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>(124,290)</u>	<u>(124,290)</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (124,290)</u></u>	<u><u>\$ (124,290)</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 - 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, 2015

	<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, 2014			<u>33,410</u>	<u>33,410</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,410</u>	<u>\$ 33,410</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>	

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -		\$ -
Support services - Students				-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2014	-	-	(108,038)	(108,038)
Fund balance, June 30, 2015	\$ -	\$ -	\$ (108,038)	\$ (108,038)
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
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2015

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 1,538</u>
Total assets	<u><u>\$ 1,538</u></u>
Liabilities	
Deposits held for others	<u>\$ 1,538</u>
Total liabilities	<u><u>\$ 1,538</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, 2015

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, deferred outflows of resources, liabilities and deferred inflows of resources 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, liabilities, deferred outflows of resources, and deferred inflows of resources (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 deferred outflows of resources by the provider and deferred inflows of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflows of resources. Such amounts are recorded net of estimated uncollectible accounts.

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, 2015.

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

Governments-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. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Financial Position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resources (expenses/expenditures) until then. The Government has deferred outflows related to pensions as discussed in Note D.

In addition to liabilities, the Statement of Financial Position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Government has only one type of item, which arises under both the full accrual and modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in both the statement of net position and the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources.

	<u>Governmental Funds</u>			
	<u>Governmental</u>	<u>TANF</u>	<u>Other</u>	
	<u>Activities</u>	<u>Grads</u>	<u>Funds</u>	<u>Total</u>
Advances under expenditure driven grants	<u>\$ 37,681</u>	<u>\$ 33,410</u>	<u>\$ 4,271</u>	<u>\$ 37,681</u>

In addition, the Government has deferred outflows of resources related to pensions as discussed in Note D.

K. 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, 2015 \$207,708 of the School’s bank balance of \$1,415,178 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 207,708</u>
Total	<u>\$ 207,708</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	957,470	957,470
Uninsured and uncollateralized	<u>207,708</u>	<u>141,268</u>
	<u>\$ 1,415,178</u>	<u>\$ 1,348,738</u>

Note C Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets being depreciated				
Other capital assets:				
Furniture and equipment	\$ 148,403	\$ 7,032	\$ -0-	\$ 155,435
Leasehold improvements	<u>172,075</u>	<u>131,650</u>	<u>-0-</u>	<u>303,725</u>
Total other capital assets at historical cost	<u>\$ 320,478</u>	<u>\$ 138,682</u>	<u>\$ -0-</u>	<u>\$ 459,160</u>
Less accumulated depreciation for:				
Furniture and equipment	\$ (67,450)	\$ (13,395)	\$ -0-	\$ (80,845)
Leasehold improvements	<u>(29,377)</u>	<u>(2,633)</u>	<u>-0-</u>	<u>(32,010)</u>
Total accumulated depreciation	<u>\$ (96,827)</u>	<u>\$ (16,028)</u>	<u>\$ -0-</u>	<u>\$ (112,855)</u>
Total capital assets, net	<u>\$ 223,651</u>	<u>\$ 122,654</u>	<u>\$ -0-</u>	<u>\$ 346,305</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	<u>\$ 16,028</u>
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Note D Pension Plan

Summary of Significant Accounting Policies

General Information about the Pension Plan

Plan Description – ERB was created by the State's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple

employer plan established to provide retirement and disability benefits for certified teachers and other employees of the State's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

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

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

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

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

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

July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions – The contribution requirements of defined benefit plan members and the Cesar Chavez High School Charter School are established in state statute under Chapter 10, Article 11, NMSA, 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Cesar Chavez High School Charter School were \$90,334 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the Cesar Chavez High School Charter School reported a liability of \$1,676,905 for its proportionate share of the net pension liability. The School's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the School's proportion was .02939 percent, which was an increase of .02648 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Cesar Chavez High School Charter School recognized pension expense of \$163,208. At the June 30, 2015, the Cesar Chavez High School Charter School reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ -	\$ (24,984)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(152,460)
Changes in proportion and differences between (name of employer) contributions and proportionate share of contributions	135,571	
Cesar Chavez High School Charter School contributions subsequent to the measurement date	<u>90,334</u>	<u>-</u>
Total	<u>\$ 225,905</u>	<u>\$ (177,444)</u>

\$90,334 reported as deferred outflows of resources related to pensions resulting from Cesar Chavez High School Charter School contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 290
2017	290
2018	(4,318)
2019	(38,135)

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

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.

2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLA's for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

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

<u>Asset Class</u>	2014 <u>Long-Term Expected Real Rate of Return</u>	2013 <u>Long-Term Expected Real Rate of Return</u>
Cash	1.50%	0.75%
Treasury's	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

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

Sensitivity of the Cesar Chavez High School Charter School Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the District's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Cesar Chavez High School Charter School No. 2 proportionate share of the net pension liability	\$ 2,281,625	\$ 1,676,905	\$ 1,171,966

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

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). For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the Authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Cesar Chavez High School Charter School contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$13,102, \$16,638 and \$14,533, 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, 2015, assets restricted for other purposes were -0-.

The School reports \$.00 in restricted assets, of which \$.00 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, 2015.

Note J Related Parties

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 \$96,000 in rent to Deming Public Schools during the year ended June 30, 2015.

Note K Inter-fund Activity

Inter-fund balances at June 30, 2015, consisted of the following:

<u>Inter-fund Receivable</u>	<u>Inter-Fund Payable</u>			
	<u>Title I</u>	<u>School Improvement</u>	<u>Other Funds</u>	<u>Total</u>
General	\$ 124,290	\$ 108,038	\$ 2,089	\$ 234,417

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.

There were no inter-fund transfers during the year ended June 30, 2015.

Note L Evaluation of Subsequent Events

The School has evaluated subsequent events through November 5, 2015, 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:

General Fund Instructional Materials	1,109
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The School intends to revise its budget policies to prevent such occurrences in the future.

Note N Restatement Pension

During the year ended June 30, 2015, the School adopted Governmental Accounting Standards Board Statements No. 67 and 68. These statements require the recognition of a net pension liability for the unfunded pension liabilities as currently measured by the Education Retirement Board.

As a part of this measurement, the School is required to restate its net position for the estimated liability of June 30, 2014, in the amount of \$1,555,570.

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

June 30, 2015

Entitlement – fund used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

Title I/Stimulus – fund used to account for federal resources administered by the New Mexico State Department of Education to provide assistance to educationally deprived students in low-income areas of the District. Required by the New Mexico Department of Educational Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 103-382).

Teacher Mentoring – created by P.L. 107-110 to improve teacher and principal quality and ensure that all teachers are highly qualified.

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, 2015

	Special Revenue Funds			Capital Projects Funds	Total
	Entitlement	Title I Stimulus	Teacher Mentoring	PSCO	
Assets					
Cash and investments	\$ -	\$ -	\$ 4,271	\$ -	\$ 4,271
Interfund receivable					-
Due from other governments	1,059	1,030			2,089
Total assets	\$ 1,059	\$ 1,030	\$ 4,271	\$ -	\$ 6,360
Liabilities					
Interfund payable	\$ 1,059	\$ 1,030	\$ -	\$ -	\$ 2,089
Accounts payable					-
Total liabilities	\$ 1,059	\$ 1,030	\$ -	\$ -	\$ 2,089
Deferred Inflows of Resources					
Unavailable revenue	\$ -	\$ -	\$ 4,271	\$ -	\$ 4,271
Total deferred inflows of resources	\$ -	\$ -	\$ 4,271	\$ -	\$ 4,271
Fund balance:					
Restricted for:					
Education	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects					-
Unassigned					-
Total fund balance	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,059	\$ 1,030	\$ 4,271	\$ -	\$ 6,360

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, 2015

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>	<u>Total</u>
	<u>Entitlement</u>	<u>Title I Stimulus</u>	<u>Teacher Mentoring</u>	<u>PSCO</u>	
Revenues:					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
State aid				93,308	93,308
Miscellaneous					-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,308</u>	<u>\$ 93,308</u>
Expenditures:					
Current:					
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -
Operation of plant				114,606	114,606
Capital outlay					-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,606</u>	<u>\$ 114,606</u>
Revenues over (under) expenditure:	\$ -	\$ -	\$ -	\$ (21,298)	\$ (21,298)
Other financing sources:					
Operating transfers in (out)					-
Net change in fund balances	\$ -	\$ -	\$ -	\$ (21,298)	\$ (21,298)
Fund balance, July 1, 2014				21,298	21,298
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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
GENERAL FUND
COMBINING BALANCE SHEETS
June 30, 2015

	Operational	Instructional Materials	Microsoft Settlement	Total General Fund
Assets				
Cash and investments	\$ 1,285,180	\$ 1,663	\$ 22,676	\$ 1,309,519
Interfund receivable	234,417			234,417
Due from other governments				-
	\$ 1,519,597	\$ 1,663	\$ 22,676	\$ 1,543,936
Liabilities				
Accounts payable	\$ 10,317	\$ -	\$ -	\$ 10,317
Total liabilities	\$ 10,317	\$ -	\$ -	\$ 10,317
Fund balance:				
Unassigned	\$ 1,509,280	\$ 1,663	\$ 22,676	\$ 1,533,619
Total fund balance	\$ 1,509,280	\$ 1,663	\$ 22,676	\$ 1,533,619
Total liabilities and fund balance	\$ 1,519,597	\$ 1,663	\$ 22,676	\$ 1,543,936

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, 2015

	Operational	Instructional Materials	Microsoft Settlement	Total General Fund
Revenues:				
State sources	\$ 1,617,191	\$ 9,393	\$ -	\$ 1,626,584
Miscellaneous	83,913			83,913
Earnings from investments	3,946			3,946
	\$ 1,705,050	\$ 9,393	\$ -	\$ 1,714,443
Expenditures:				
Current:				
Instruction	\$ 597,783	\$ 8,810	\$ -	\$ 606,593
Support services - Students	134,752			134,752
General administration	111,388			111,388
School administration	253,429			253,429
Central services	113,650			113,650
Operation of plant	123,869			123,869
Other support services				-
Capital outlay	138,682			138,682
	\$ 1,473,553	\$ 8,810	\$ -	\$ 1,482,363
Revenues over (under) expenditures	\$ 231,497	\$ 583	\$ -	\$ 232,080
Other financing sources:				
Operating transfers in (out)				-
Net change in fund balances	\$ 231,497	\$ 583	\$ -	\$ 232,080
Fund balance, July 1, 2014	1,277,783	1,080	22,676	1,301,539
Fund balance, June 30, 2015	\$ 1,509,280	\$ 1,663	\$ 22,676	\$ 1,533,619

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
State sources	1,584,057	1,584,057	1,584,847	790
Local sources	3,000	3,000	87,859	84,859
Total revenues	\$ 1,587,057	\$ 1,587,057	\$ 1,672,706	\$ 85,649
Expenditures:				
Current:				
Instruction	\$ 1,123,500	\$ 1,123,500	\$ 611,115	\$ 512,385
Support services - Students	188,440	188,440	139,273	49,167
Support services - Instruction				-
General administration	143,000	143,000	76,511	66,489
School administration	413,900	413,900	256,178	157,722
Central services	137,700	137,700	120,950	16,750
Operation of plant	502,531	502,531	263,656	238,875
Other support services				-
Capital outlay	7,032	7,032	7,032	-
Total expenditures	\$ 2,516,103	\$ 2,516,103	\$ 1,474,715	\$ 1,041,388
Revenues over (under) expenditures	\$ (929,046)	\$ (929,046)	\$ 197,991	\$ 1,127,037
Other financing sources (uses):				
Transfers out				-
Net change in fund balance	\$ (929,046)	\$ (929,046)	\$ 197,991	\$ 1,127,037
Fund balance, July 1, 2014	929,046	929,046	1,321,606	392,560
Fund balance, June 30, 2015	\$ -	\$ -	\$ 1,519,597	\$ 1,519,597
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 231,497	
Revenue accruals (net)			(32,344)	
Expenditure accruals (net)			(1,162)	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ 197,991	

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 7,701	\$ 7,701	\$ 9,393	\$ 1,692
Local sources				-
Total revenues	<u>\$ 7,701</u>	<u>\$ 7,701</u>	<u>\$ 9,393</u>	<u>\$ 1,692</u>
Expenditures:				
Current:				
Instruction	\$ 7,701	\$ 7,701	\$ 8,810	\$ (1,109)
Support services - Instruction				-
Total expenditures	<u>\$ 7,701</u>	<u>\$ 7,701</u>	<u>\$ 8,810</u>	<u>\$ (1,109)</u>
Net change in fund balance	\$ -	\$ -	\$ 583	\$ 583
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>1,080</u>	<u>1,080</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,663</u>	<u>\$ 1,663</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 583	
Revenue accruals (net)				
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 583</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, 2015

	<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, 2014			<u>22,676</u>	<u>22,676</u>
Fund balance, June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,676</u>	<u>\$ 22,676</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>	

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, 2015

	<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	\$ -	\$ -	\$ -	\$ -
Support services - Students	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2014	<u> -</u>	<u> -</u>	<u>(1,030)</u>	<u>(1,030)</u>
Fund balance, June 30, 2015	<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)			<u> -</u>	
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 - 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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State 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, 2014	<u>-</u>	<u>-</u>	<u>4,271</u>	<u>4,271</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,271</u></u>	<u><u>\$ 4,271</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 - ENTITLEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2015

	<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	\$ -	\$ -	\$ -	\$ -
Support services - Students	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2014	<u>-</u>	<u>-</u>	<u>(1,059)</u>	<u>(1,059)</u>
Fund balance, June 30, 2015	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,059)</u></u>	<u><u>\$ (1,059)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			<u>-</u>	
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
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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 93,308	\$ 93,308	\$ 93,308	\$ -
Total revenues	\$ 93,308	\$ 93,308	\$ 93,308	\$ -
Expenditures:				
Current:				
Operation	\$ 114,606	\$ 114,606	\$ 114,606	\$ -
Capital outlay	-	-	-	-
Total expenditures	\$ 114,606	\$ 114,606	\$ 114,606	\$ -
Revenues over (under) expenditures	\$ (21,298)	\$ (21,298)	\$ (21,298)	\$ -
Other financing sources (uses):				
Transfers out	-	-	-	-
Net change in fund balance	\$ (21,298)	\$ (21,298)	\$ (21,298)	\$ -
Fund balance, June 30, 2014	\$ 21,298	\$ 21,298	\$ 21,298	\$ -
Fund balance, June 30, 2015	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (21,298)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Other financing uses (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (21,298)	

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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
THE EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS***

	2015
Cesar Chavez High School Charter School's proportion of the net pension liability	.02939%
Cesar Chavez High School Charter School's proportionate share of the net pension liability	\$ 1,676,905
Cesar Chavez High School Charter School's covered employee payroll	\$ 810,205
Cesar Chavez High School Charter School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207%
Plan fiduciary net position as a percentage of the total pension liability	66.54%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Cesar Chavez High School Charter School will present information for those years for which information is available.

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
***LAST 10 FISCAL YEARS**

	2015
Contractually required contributions	\$ 90,334
Contributions in relation to contractually required contribution	(90,334)
Contribution deficiency (excess)	\$ -
Cesar Chavez High School Charter School's covered-employee payroll	\$ 649,891
Contributions as a percentage of covered-employee payroll	13.90%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Cesar Chavez High School Charter School will present information for those years for which information is available.

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2015

Changes in benefit terms – The Cola and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Changes of Assumptions

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on April 26, 2013, ERB implemented the following changes in assumptions for the fiscal years 2014 and 2013:

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.75% to 4.25%
 - b. Lower payroll growth from 3.75% to 3.5%
 - c. Minor changes in demographic assumptions
 - d. Population growth per year from 075% to .50%

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Receipts</u>	<u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2015</u>
Assets				
Cash and investments:				
Cesar Chavez Charter School	\$ 2,612	\$ 1,820	\$ 2,894	\$ 1,538
Total assets	<u>\$ 2,612</u>	<u>\$ 1,820</u>	<u>\$ 2,894</u>	<u>\$ 1,538</u>
Liabilities				
Deposits held for others:				
Cesar Chavez Charter School	\$ 2,612	\$ 1,820	\$ 2,894	\$ 1,538
Total liabilities	<u>\$ 2,612</u>	<u>\$ 1,820</u>	<u>\$ 2,894</u>	<u>\$ 1,538</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, 2015

	First NM Bank	Total
Checking and CD's	\$ 1,415,178	\$ 1,415,178
Total on deposit	\$ 1,415,178	\$ 1,415,178
Less: FDIC insurance	(250,000)	(250,000)
Total uninsured public funds	\$ 1,165,178	\$ 1,165,178
50 % collateral	\$ 582,589	\$ 582,589
Pledged Collateral:		
Mora, NM Ind. School 616412EJ7 7/1/16	258,800	258,800
FNMA 899172HF0 9/15/17	230,050	230,050
So. Sandoval, NM 843789EH7 8/1/21	265,088	265,088
Tularosa, NM 899172HA1 1/1/16	203,532	203,532
Total pledged securities	\$ 957,470	\$ 957,470
Pledged securities over (under) requirement	\$ 374,881	\$ 374,881

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, 2015

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>First NM Bank</u>			
Agency	Checking	\$ 1,538	\$ 1,538
Operational	Checking	<u>1,413,640</u>	<u>1,347,200</u>
Total cash		<u><u>\$ 1,415,178</u></u>	<u><u>\$ 1,348,738</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, 2015

	Operational	Instructional Materials	Federal Flowthrough	Federal Direct
Total cash and investments as of July 1, 2014	\$ 1,277,783	\$ 1,080	\$ (234,417)	\$ 33,410
Add: Current year receipts	1,672,706	9,393	47,125	
Prior year warrants voided				
Less: Current year expenditures	(1,469,637)	(8,810)	(47,125)	
Chargebacks/(Overdrafts)				
Receivables/payables				
Transfers				
	\$ 1,480,852	\$ 1,663	\$ (234,417)	\$ 33,410
Total cash and investments as of June 30, 2015 per cash report				
Audit adjustment	38,745			
Cash and investments per audit report	\$ 1,519,597	\$ 1,663	\$ (234,417)	\$ 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, 2015

	<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, 2014	\$ 22,676	\$ 4,271	\$ -	\$ 21,298	\$ -
Add: Current year receipts				93,308	
Prior year warrants voided					
Less: Current year expenditures				(114,606)	
Abatements					
Receivables/payables					
Transfers					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments as of June 30, 2015 per cash report	\$ 22,676	\$ 4,271	\$ -	\$ -	\$ -
Audit adjustment					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Cash and investments per audit report	<u>\$ 22,676</u>	<u>\$ 4,271</u>	<u>\$ -</u>	<u>\$ -</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, 2015

	Agency	Total
Total cash and investments as of July 1, 2014	\$ 2,612	\$ 1,128,713
Add: Current year receipts	1,820	1,824,352
Prior year warrants voided		-
Less: Current year expenditures	(2,894)	(1,643,072)
Abatements		-
Receivables/payables		-
Transfers		-
	\$ 1,538	\$ 1,309,993
Total cash and investments as of June 30, 2015 per cash report		
Audit adjustment		38,745
Cash and investments per audit report	\$ 1,538	\$ 1,348,738

Cesar Chavez High School
 Charter School
 Component Unit of Deming Public Schools
SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For The Fiscal Year Ended June 30, 2015

RFB#/RFP/ State-Wide Price Agreement #	Type o Procurement	Awarded Vendor	Amount of Awarded Contract	Amount of Amended Contract	Name and Physical Address of All Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition	Was the vendor in- state and chose Veteran's Preference (Y or N)	Brief Description of the Scope of Work
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None

Prepared by Chris Masters, Business Manager 10/14/2015

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, 2015

Findings – Financial Statement Audit

Current Status

2013-001(2013-1) Cash in Bank does not agree to final report submitted to New Mexico Public Education Department	Repeated
2013-003(2013-3) Travel reimbursement request not paid according to the Per Diem and Mileage Act	Resolved
2013-004(2013-4) Expenditures incurred in excess of budgetary authority	Repeated

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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*

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, 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, 2015, 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 5, 2015.

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 2013-001 and 2013-004.

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 5, 2015

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, 2015

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

2013-001(2013-1) Cash Reporting (Other Noncompliance)

Condition – The School's actual cash in bank was \$38,745 more than that reported to the New Mexico Public Education Department on the School's year-end cash report. Although the reconciled balance was accurately reflected on the cash report, it did not agree to the cash balances by fund in that same report.

The District's corrective action plan included making adjustments to the individual fund balances at June 30, 2014, to accurately reflect cash balances by individual funds coming forward to June 30, 2015. That adjustment was not made.

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. The School's accounting system is designed to accrue liabilities that affect the reported expenditures. This has an effect on the by-fund cash balances, but cash has not yet been expended, so the cash basis report to the New Mexico Public Education Department contains expenditures that have not yet been made in cash.

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. We further recommend that the audit adjustment provided to the School be posted to the general ledger, and that adjusted cash balances be provided to the New Mexico Public Education Department.

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 by fund have been established, we believe that the actual cash balances will be reflected in general ledger amounts, and will be reconciled to year-end reports. This action will be completed by June 30, 2016, and is the responsibility of the School's accountant.

2013-004(2013-4) Budgetary Controls (Other Noncompliance)

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

General Fund instructional materials	\$1,109
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The School implemented its corrective action plan, and has shown significant improvement. However, this individual over-expenditure was not corrected at June 30, 2015.

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.

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

Agency Response – The over-expenditure of the function was an oversight, because we did not make the appropriate budget adjustments at year end. In the future, we will review expenditures periodically to ensure adherence to budget constraints. The budgetary adjustments will be made during the year ending June 30, 2016. The School's accountant will prepare the budgetary adjustments for approval of the Governing Council and the Public Education Department.

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., CPA's. However, the Schools' management has acknowledged and taken responsibility for the financial statements.

EXIT CONFERENCE

The contents of this report were discussed on October 29, 2015. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Bayne Anderson	Board President	Deming Public Schools
Matt Robinson	Board Member	Deming Public Schools
Stan Lyons	Principal	Cesar Chavez High School
Ray Trejo	Associate Superintendent	Deming Public Schools
Ted Burr	Assoc. Supt. of Finance	Deming Public Schools
Mike Stone	Shareholder	Stone, McGee & Co., CPA's