



Report of Independent Auditors
and Financial Statements
with Supplementary Information for

**Cesar Chavez High School
Charter School
(A Component Unit of Deming
Public Schools)**

June 30, 2016

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

INTRODUCTORY SECTION

**ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016
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**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
COMPONENT UNIT OF DEMING PUBLIC SCHOOLS
DIRECTORY OF OFFICIALS
JUNE 30, 2016**

GOVERNING COUNCIL

Antoinette Zunich
Victor Cruz
Neima Higuera
Gloria Lopez
Gabe Dominguez

President
Vice-President
Treasurer
Secretary
Member

SCHOOL OFFICIALS

Stan Lyons
Chris Masters

Principal
Business Manager

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

Governing Council
Cesar Chavez High School Charter School
and
Timothy Keller
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the operating funds and major special revenue funds of the Cesar Chavez High School Charter School ("Charter"), a component unit of Deming Public Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements as listed in the table of contents. We have also audited the financial statements of the Charter's nonmajor governmental funds, fiduciary funds, and the respective budgetary comparisons for the major capital project fund and all nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in accompanying combining and individual fund statements as of and for the year ended June 30, 2016 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Governing Council
Cesar Chavez High School Charter School
and
Timothy Keller
New Mexico State Auditor

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, 2016, and the respective changes in financial position and the respective budgetary comparisons for the operating funds, special revenue funds and capital project fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor special revenue fund and fiduciary funds of the Cesar Chavez High School Charter School as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the major capital project fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the School are intended to present the financial position and the changes in financial position of only Cesar Chavez High School Charter School. They do not purport to, and do not, present fairly the financial position of Deming Public Schools, as of June 30, 2016, the changes in its financial position for the year then ended in conformity in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Restatement

As discussed in Note 17 to the financial statements, the Charter's management discovered certain errors resulting in an overstatement of previously reported receivable balances. Accordingly, adjustments totaling \$234,417 have been made to the Charter's net position as of July 1, 2015, to correct these errors. Our opinions are not modified with respect to this matter.

Governing Council
Cesar Chavez High School Charter School
and
Timothy Keller
New Mexico State Auditor

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.

Accounting principles generally accepted in the United States of America require that the Charter's proportionate share of the net pension liability and the schedule of the Charter's contributions on pages 33 through 38 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or any assurance.

Other Supplemental Information

The Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds, Schedule of Collateral Pledged by Depository for Public Funds, Schedule of Individual Deposit Accounts, and Schedule of Cash Reconciliation are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds, Schedule of Collateral Pledged by Depository for Public Funds, Schedule of Individual Deposit Accounts, and Schedule of Cash Reconciliation are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Governing Council
Cesar Chavez High School Charter School
and
Timothy Keller
New Mexico State Auditor

The other information, Schedule of Vendor Information per 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 23, 2016, on our consideration of the Cesar Chavez High School Charter School's, 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's, a component unit of Deming Public Schools, internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 23, 2016

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF NET POSITION
 JUNE 30, 2016

Exhibit A-1

	Governmental Activities
ASSETS	
Cash	\$ 836,214
Accounts receivable	270,802
Total current assets	1,107,016
Capital assets	
Building improvements	510,514
Furniture, fixtures and equipment	155,435
Less: accumulated depreciation	(143,588)
Total noncurrent assets	522,361
Total assets	\$ 1,629,377
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflow of resources related to pensions have	\$ 302,611
LIABILITIES	
Accrued salaries and benefits	\$ 77,839
Accounts payable	284
Unspent grant funds	36,208
Total current liabilities	114,331
Noncurrent liabilities	
Net pension liability	1,480,695
Total liabilities	1,595,026
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow of resources related to pensions	\$ 341,547
NET POSITION	
Net investment in capital assets	522,361
Restricted	24,253
Unrestricted (deficit)	(551,199)
Total net position (deficit)	\$ (4,585)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 712,213	\$ -	\$ 102,388	\$ -	\$ (609,825)
Support services:					
Students	143,345	-	-	-	(143,345)
Instruction	-	-	-	-	-
General Administration	47,352	-	-	-	(47,352)
School Administration	384,417	-	-	-	(384,417)
Central Services	116,533	-	-	-	(116,533)
Operation & Maintenance of Plant	164,955	-	-	-	(164,955)
Student Transportation	-	-	-	-	-
Food Services Operation	-	-	-	-	-
Non-Instructional Support	-	-	-	-	-
Facilities Materials, Supplies & Other Services	93,291	-	-	93,291	-
Total governmental activities	\$ 1,662,106	\$ -	\$ 102,388	\$ 93,291	(1,466,427)
General Revenues:					
State Equalization Guarantee					1,356,141
Interest income					4,676
Miscellaneous					83,962
Total general revenues					1,444,779
Change in net position					(21,648)
Net position - beginning as previously reported					251,480
Restatement (see Note 17)					(234,417)
Net position - beginning, as restated					17,063
Net position - ending (deficit)					\$ (4,585)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Exhibit B-1
(Page 1 of 3)

	Operational 11000	Instructional Materials 14000	Title I IASA 24101	TANF/ GRADS 25162
ASSETS				
<i>Current Assets</i>				
Cash	\$ 775,753	\$ 9,029	\$ -	\$ 31,937
Accounts receivable	83,962	-	65,228	-
Due from other funds	181,569	-	-	-
<i>Total assets</i>	1,041,284	9,029	65,228	31,937
LIABILITIES AND FUND BALANCES				
<i>Current Liabilities:</i>				
Accrued salaries and benefits	72,596	-	5,243	-
Accounts payable	256	-	28	-
Unspent grant funds	-	-	-	31,937
Due to other funds	-	-	59,957	-
<i>Total liabilities</i>	72,852	-	65,228	31,937
<i>Fund balances</i>				
Fund Balance:				
Restricted	-	9,029	-	-
Unassigned	968,432	-	-	-
<i>Total fund balance</i>	968,432	9,029	-	-
<i>Total liabilities and fund balance</i>	\$ 1,041,284	\$ 9,029	\$ 65,228	\$ 31,937

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Exhibit B-1
(Page 2 of 3)

	Public School Capital Outlay 31200	Total NonMajor Funds	Total Primary Government
ASSETS			
<i>Current Assets</i>			
Cash	\$ -	\$ 19,495	\$ 836,214
Accounts receivable	93,291	28,321	270,802
Due from other funds	-	-	181,569
<i>Total assets</i>	93,291	47,816	1,288,585
LIABILITIES AND FUND BALANCES			
<i>Current Liabilities:</i>			
Accrued salaries and benefits	-	-	77,839
Accounts payable	-	-	284
Unspent grant funds	-	4,271	36,208
Due to other funds	93,291	28,321	181,569
<i>Total liabilities</i>	93,291	32,592	295,900
<i>Fund balances</i>			
Fund Balance:			
Restricted	-	15,224	24,253
Unassigned	-	-	968,432
<i>Total fund balance</i>	-	15,224	992,685
<i>Total liabilities and fund balance</i>	\$ 93,291	\$ 47,816	\$ 1,288,585

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
DEMING PUBLIC SCHOOLS
CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Exhibit B-1
 (Page 3 of 3)

	Governmental Funds
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 992,685
Pension liability	(1,480,695)
Deferred outflow of resources related to pensions	302,611
Deferred inflow of resources related to pensions	(341,547)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	522,361
Net Position-total Governmental Activities (deficit)	\$ (4,585)

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

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-2
 (Page 1 of 3)

	Operational 11000	Instructional Materials 14000	Title I IASA 24101	TANF/ GRADS 25162
<i>Revenues:</i>				
Interest income	\$ 4,676	\$ -	\$ -	\$ -
State grant	1,356,141	7,366	-	1,473
Federal grant	-	-	65,228	-
Miscellaneous income	83,962	-	-	-
<i>Total revenues</i>	<u>1,444,779</u>	<u>7,366</u>	<u>65,228</u>	<u>1,473</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	718,552	-	65,228	1,473
Support Services				
Students	143,345	-	-	-
Instruction	-	-	-	-
General Administration	47,352	-	-	-
School Administration	383,068	-	-	-
Central Services	116,533	-	-	-
Operation & Maintenance of Plant	342,360	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Community Services Operations	-	-	-	-
Food Services Operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>1,751,210</u>	<u>-</u>	<u>65,228</u>	<u>1,473</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(306,431)</u>	<u>7,366</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(306,431)</u>	<u>7,366</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning, as previously reported</i>	<u>1,509,280</u>	<u>1,663</u>	<u>-</u>	<u>-</u>
<i>Restatement (see Note 17)</i>	<u>(234,417)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning, as restated</i>	<u>1,274,863</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 968,432</u>	<u>\$ 9,029</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-2
 (Page 2 of 3)

	Public School Capital Outlay 31200	Total Nonmajor Funds	Total Primary Government
<i>Revenues:</i>			
Interest income	\$ -	\$ -	\$ 4,676
State grant	93,291	-	1,458,271
Federal grant	-	28,321	93,549
Miscellaneous income	-	-	83,962
<i>Total revenues</i>	93,291	28,321	1,640,458
<i>Expenditures:</i>			
<i>Current:</i>			
Instruction	-	35,773	821,026
Support Services			
Students	-	-	143,345
Instruction	-	-	-
General Administration	-	-	47,352
School Administration	-	-	383,068
Central Services	-	-	116,533
Operation & Maintenance of Plant	-	-	342,360
Student Transportation	-	-	-
Other Support Services	-	-	-
Community Services Operations	-	-	-
Food Services Operations	-	-	-
Capital outlay	93,291	-	93,291
<i>Total expenditures</i>	93,291	35,773	1,946,975
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	(7,452)	(306,517)
<i>Other financing sources (uses):</i>			
Operating transfers	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-
<i>Net changes in fund balances</i>	-	(7,452)	(306,517)
<i>Fund balances - beginning, as previously reported</i>	-	22,676	1,533,619
<i>Restatement (see Note 17)</i>	-	-	(234,417)
<i>Fund balances - beginning, as restated</i>	-	-	1,274,863
<i>Fund balances - end of year</i>	\$ -	\$ 15,224	\$ 992,685

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 GOVERNMENTAL FUNDS

Exhibit B-2
 (Page 4 of 4)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	\$ (306,517)
Current year employer pension contributions deferred	163,184
Pension expense	(54,371)
Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.	
Depreciation expense	(30,733)
Capital outlays	<u>206,789</u>
Net Position-total Governmental Activities	<u><u>\$ (21,648)</u></u>

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

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 OPERATING FUND
 FOR THE YEAR ENDING JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Interest income	\$ 3,600	\$ 3,600	\$ 4,676	\$ 1,076
State grants	1,352,782	1,356,141	1,356,141	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,356,382</u>	<u>1,359,741</u>	<u>1,360,817</u>	<u>1,076</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	1,140,500	1,140,500	716,333	424,167
Support Services				
Students	196,400	196,400	143,345	53,055
Instruction	-	-	-	-
General Administration	113,000	113,000	47,352	65,648
School Administration	504,500	504,500	383,068	121,432
Central Services	149,500	149,500	116,533	32,967
Operation & Maintenance of Plant	477,214	477,214	342,360	134,854
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services Operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>2,581,114</u>	<u>2,581,114</u>	<u>1,748,991</u>	<u>832,123</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,224,732)</u>	<u>(1,221,373)</u>	<u>(388,174)</u>	<u>833,199</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	1,224,732	1,221,373	-	(1,221,373)
<i>Total other financing sources (uses)</i>	<u>1,224,732</u>	<u>1,221,373</u>	<u>-</u>	<u>(1,221,373)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(388,174)</u>	<u>(388,174)</u>
<i>Cash or fund balance, beginning of year, as restated</i>	<u>-</u>	<u>-</u>	<u>1,356,606</u>	<u>1,356,606</u>
<i>Cash or fund balance, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 968,432</u>	<u>\$ 968,432</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			\$ 83,962	
Adjustments to expenditures			(2,219)	
NET CHANGE IN FUND BALANCE			<u>\$ (306,431)</u>	

The accompanying note is an integral part of these financial statements

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 INSTRUCTIONAL MATERIALS FUND
 FOR THE YEAR ENDING JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county grants	\$ -	\$ -	\$ -	\$ -
State grants	5,540	5,540	7,366	1,826
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	5,540	5,540	7,366	1,826
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	5,540	5,540	-	5,540
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services Operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	5,540	5,540	-	5,540
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	7,366	7,366
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net changes in fund balances</i>	-	-	7,366	7,366
<i>Cash or fund balance, beginning of year</i>	-	-	1,663	1,663
<i>Cash or fund balance, end of year</i>	\$ -	\$ -	\$ 9,029	\$ 9,029
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			\$ -	
Adjustments to expenditures			-	
NET CHANGE IN FUND BALANCE			\$ 7,366	

The accompanying note is an integral part of these financial statements

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 TITLE I IASA FUND
 FOR THE YEAR ENDING JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county grants	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	61,374	61,374	-	(61,374)
<i>Total revenues</i>	<u>61,374</u>	<u>61,374</u>	<u>-</u>	<u>(61,374)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	61,374	61,374	65,228	(3,854)
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services Operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>61,374</u>	<u>61,374</u>	<u>65,228</u>	<u>(3,854)</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(65,228)</u>	<u>(65,228)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(65,228)</u>	<u>(65,228)</u>
<i>Cash or fund balance, beginning of year, as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash or fund balance, end of year (deficit)</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (65,228)</u>	<u>\$ (65,228)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			\$ 65,228	
Adjustments to expenditures			-	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

The accompanying note is an integral part of these financial statements

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 TANF /GRADS FUNDS
 FOR THE YEAR ENDING JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county grants	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	33,409	33,409	1,473	31,936
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services Operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>33,409</u>	<u>33,409</u>	<u>1,473</u>	<u>31,936</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(33,409)</u>	<u>(33,409)</u>	<u>(1,473)</u>	<u>31,936</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	33,409	33,409	-	(33,409)
<i>Total other financing sources (uses)</i>	<u>33,409</u>	<u>33,409</u>	<u>-</u>	<u>(33,409)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(1,473)</u>	<u>(1,473)</u>
<i>Cash or fund balance, beginning of year</i>	<u>-</u>	<u>-</u>	<u>33,410</u>	<u>33,410</u>
<i>Cash or fund balance, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,937</u>	<u>\$ 31,937</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			\$ 1,473	
Adjustments to expenditures			-	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

The accompanying note is an integral part of these financial statements

STATE OF NEW MEXICO
DEMING PUBLIC SCHOOLS
CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,811
Total Assets	<u>\$ 1,811</u>
 LIABILITIES	
Deposits held in the trust for others	\$ 1,811
Total Liabilities	<u>\$ 1,811</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 THE FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Cesar Chavez High School Charter School (the “Charter”) is organized under the laws of the State of New Mexico and authorized by Deming Public Schools (the “District”). The Charter is a component unit of the District. The accompanying financial statements do not purport to, and do not, represent the financial position and changes in financial position of the reporting entity of the District, in accordance with accounting principles generally accepted in the United States of America (GAAP). The Charter operates under a Governing Council. The Governing Council is authorized to establish policies and regulations for its own government consistent with the laws of the state of New Mexico and the regulations of the State Board of Education and the Legislative Financial Committee. The Governing Council is comprised of five members.

The Charter 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 financial statements of the Charter have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Charter’s accounting policies are described below.

The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB No. 68), which is effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of GASB No. 68. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, GASB No. 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The impact of this statement to the Charter is the requirement of net pension liability associated with the defined benefit pension to be reflected in its Statements of Net Position.

A. Reporting entity

GASB Statement No. 61 an amendment of GASB Statement No. 14, established criteria for determining the government reporting entity and component unit that should be included within the reporting entity. Based on the criterion in GASB No. 61, the Charter has no component units.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (continued)

B. Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Deferred outflows of resources – a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The General Fund is the primary operating fund of the Charter, and accounts for all financial resources, except those required to be accounted for in other funds.

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

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

Under the requirements of GASB No. 34, the Charter is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General fund), which include funds that were not required to be presented as major but were at the discretion of management.

Instructional Materials Fund (14000) – is used to account for the monies received from the New Mexico Public Education Department (NMPED) for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (continued)

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

Title I- IASA (24101) – fund used to account for federal resources administered by the NMPED to provide assistance to educationally deprived students in low-income areas of the Charter. Required by the NMPED Manual of Procedures to be accounted for as a separate fund within the Special Revenue Funds (P.L. 103-382).

TANF/GRADS (25162) – 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.

Public School Capital Outlay (31200) – to account for the state resources to provide reimbursement for rent of facilities..

AGENCY FUNDS

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

Agency Fund (23000) – 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues are categorized as (a) charges for services, which include revenues collected for lab fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as Title I IASA, IDEA-B Entitlement, and other State and Federal funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources such as special capital outlay funding to be used for capital projects.

Internally dedicated resources are reported as general revenues rather than as program revenues.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

The Charter reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The Charter does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

D. Assets, Liabilities and Net Position or Equity

Cash: Cash consists of monies held in a checking account with a financial institution.

Capital Assets: Property and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Building improvements	7-30 years
Equipment	5-20 years
Furniture & fixtures	20 years

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

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

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

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

The Government-wide Statement of Net Position reports a deficit \$(4,585) net position of which \$24,253 is restricted by enabling legislation.

Fund Balance: In the governmental financial statements, fund balance is classified and is displayed in two components:

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

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

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

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

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

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies (continued)

E. Revenues

State Equalization Guarantee: Charters in the State of New Mexico receive a ‘state equalization guarantee distribution’ which is defined as “that amount of money distributed to each Charter to insure that the Charter’s operating revenue, including its local and federal revenues as defined (in Chapter 22 Article 8 Section 22-8-25) is at least equal to the charter’s program cost. The funding formula related to the state equalization guarantee determines whether any funds would revert back to the state.

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

F. Pensions

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

G. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report separate sections for deferred outflows/inflows of resources. These separate financial statement elements, deferred outflows/inflows of resources, represents a decrease/increase of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue/income) until then. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 2 – Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets for the General, Special Revenue, and Capital Projects Funds are prepared by management and are approved by the Governing Council and the School Budget and Planning Unit of the NMPED. Auxiliary student activity accounts (agency funds) are not budgeted.

These budgets are prepared on the cash basis, excluding encumbrances, and secure appropriation of funds for only one year and reconciled to the modified accrual GAAP financial statements. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a line item 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 Board of Education approval. If a transfer between ‘series’ or a budget increase is required, approval must also be obtained from NMPED.

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

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

1. In April or May, the governing council submits to the School Budget Planning Unit (SBPU) of the NMPED a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the NMPED by the Charter shall contain headings and details as described by law and have been approved by the NMPED.
2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the SBPU and certified and approved by governing council at a public hearing of which notice has been published by the governing council which fixes the estimated budget for the Charter for the ensuing fiscal year.
3. The governing council meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 2 – Stewardship, Compliance and Accountability (continued)

A. Budgetary Information (continued)

4. The “operating” budget will be used by the Charter until they have been notified that the budget has been approved by the SBPU and the governing council. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system. The Charter shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the governing council and the NMPED.
6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the Charter and approved by the SBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget of the Charter has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
9. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds.
10. Budgets for the General, Special Revenue and Capital Projects are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

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

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual comparisons of the legally adopted budget with actual data on a budgetary basis.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 3 -Cash

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

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

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing accounts of a public unit in an institution in the same state will be insured up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

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

	1 st New Mexico Bank
Total amounts of deposits	\$ 862,179
FDIC coverage	<u>(250,000)</u>
Total uninsured public funds	<u>612,179</u>
Pledged collateral held by pledging bank trust department or agent but not in Charter's name	<u>-</u>
Uninsured and uncollateralized	<u>612,179</u>
Collateral requirement (50% of uninsured public funds)	306,090
Pledged security	<u>(745,540)</u>
Total under (over) collateralized	<u>\$ (413,910)</u>

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 3 –Cash (continued)

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2016, the Charter was not exposed to custodial credit risk.

Note 4 – Accounts Receivable

Accounts Receivables as of June 30, 2016 are as follows:

	Operational	Title I IASA	PSCOC	Other Nonmajor funds	Total
District receivable	\$ 83,962	-	-	-	83,962
State grants	-	-	93,291	-	93,291
Federal grants	-	65,228	-	28,321	93,549
Total	<u>\$ 83,962</u>	<u>65,228</u>	<u>93,291</u>	<u>28,321</u>	<u>270,802</u>

The above receivables are deemed 100% collectible.

Note 5 – Interfund Receivables and Payables

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the Charter is waiting for grant reimbursements. The composition of interfund balances as of June 30, 2016 is as follows:

	Interfund Receivables	Interfund Payables
Major Funds:		
General Fund	\$ 181,569	-
Capital Outlay Funds	-	93,291
Title I IASA Funds	-	59,957
NonMajor Funds:		
IDEA-B Entitlement Funds	-	14,661
Title I School Improvement Funds	-	13,660
Total	<u>\$ 181,569</u>	<u>181,569</u>

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 6 – Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016, including those changes pursuant to the implementation of GASB Statement No. 34.

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets used in Governmental Activities				
Leasehold improvements	\$ 303,725	206,789	-	510,514
Furniture fixtures and equipment	<u>155,435</u>	-	-	<u>155,435</u>
Total Capital Assets being depreciated	<u>459,160</u>	<u>206,789</u>	-	<u>665,949</u>
Less Accumulated Depreciation				
Leasehold improvements	32,010	8,419	-	40,429
Furniture fixtures and equipment	<u>80,845</u>	<u>22,314</u>	-	<u>103,159</u>
Total accumulated depreciation	<u>112,855</u>	<u>30,733</u>	-	<u>143,588</u>
Governmental activities capital assets, net	<u>\$ 346,305</u>	<u>176,056</u>	-	<u>522,361</u>

Depreciation expense for the year ended June 30, 2016 was charged to governmental activities as follows:

School Administration	\$ 1,349
Operation & Maintenance	<u>29,384</u>
	<u>\$ 30,733</u>

Note 7 – Operating Leases

Operating Leases – The Charter leases the buildings under short-term cancelable operating lease. Rental cost for the year ended June 30, 2016 was \$93,291, with a future obligation of \$80,988 for year ending June 30, 2017.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 8 – Risk Management

The Charter is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Charter pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The 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.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the Charter, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2016, there have been no claims that have exceeded insurance coverage.

Note 9 – Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2016:

None

- B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2016:

Major Funds:

Title I - instructional	\$	3,854
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Nonmajor Funds:

Title I School Improvement - instructional	\$	13,660
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**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 10 – Pension Plan Educational Retirement Board

Plan description. The Educational Retirement Board (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 pension 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 state agencies providing educational programs. The Educational Retirement Act assigns the authority to establish and amend benefit provisions to the Board of Trustees; the state legislature has the authority to set or amend contribution rates and other terms of the Plan. The Plan is a pension trust fund of the State of New Mexico.

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

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

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

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

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

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 10 – Pension Plan Educational Retirement Board (continued)

All retired members and beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3). Tier 1 membership is comprised of employees who became members prior to July 1, 2010. Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013. Tier 3 membership is comprised of employees who became members on or after July 1, 2013. As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is 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 1.6%. 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 1.8%. 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 Charters are established in state statute under 22-11-21 NMSA 1978. For the fiscal year ended June 30, 2016 employers contributed 13.90% 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 10.70% 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 Charter were \$163,184, for the year ended June 30, 2016.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 10 – Pension Plan Educational Retirement Board (continued)

Actuarial assumptions. As described above, the total ERB pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the ERB Board of Trustees on June 12, 2015. Specifically, the liabilities measured as of June 30, 2015, incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by the ERB Board on June 12, 2015, in conjunction with the six-year experience study period ending June 30, 2014, and
5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

On June 12, 2015, the ERB Board of Trustees approves the following changes to economic and demographic assumptions used in the fiscal year 2015 actuarial calculation of the total pension liability:

1. Lower wage inflation from 4.25% to 3.75%
2. Update the mortality tables to incorporate generational improvements
3. Update demographic assumptions to use currently published tables, which may result in minor calculation changes
4. Remove population growth assumption for projections
5. Lower population growth from .50% to zero

The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

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

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 10 – Pension Plan Educational Retirement Board (continued)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Estimates of geometric 30-year expected rates of return by major asset class for 2015 are summarized in the following table:

Asset	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	20%	7.50-7.75%
International Equities	15%	8.00-9.25%
Fixed Income Securities	28%	3.75-6.75%
Alternative Assets	36%	6.50-9.50%
Cash	1%	3.25%
Total	100%	

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and 2014. This discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the assumptions described above 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. 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.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 10 – Pension Plan Educational Retirement Board (continued)

Sensitivity of the Charter’s proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2015. In particular, the table presents the Charter’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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Charter’s proportionate share of the net pension liability	\$ 1,992,385	\$ 1,480,695	\$ 1,050,837

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, 2015 and 2014 which are publicly available at www.nmerb.org.

Payables to the pension plan. The Charter remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2016 the Charter owed the ERB \$39,538 for the contributions withheld in the month of June 2016.

Note 11 – Retiree Health Care Contributions

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

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

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 11 – Retiree Health Care Contributions (continued)

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee’s annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee’s annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Charter’s contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$17,396, \$16,638, and \$14,533, respectively, which equal the required contributions for each year.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 12 – Contingent Liabilities

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

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

Note 13 – Related Parties

The Charter leases a school building from the District. 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 paid \$93,291 in rent to the District during the year ended June 30, 2016.

Note 14 – Memorandum of Understanding and Joint Powers Agreements

Transportation – Memorandum of Understanding

Participants	Deming Public Schools Deming Cesar Chavez Charter High School
Responsible party	Deming Public Schools and Deming Cesar Chavez Charter High School
Description	Provide to/from transportation for all eligible students.
Term of agreement	One year beginning July 1, 2015
Amount of Project	No monetary payment from the Charter
District contributions	Bus service
Audit responsibility	The District

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 14 – Memorandum of Understanding and Joint Powers Agreements (continued)

Nutrition – Memorandum of Understanding

Participants	Deming Public Schools Deming Cesar Chavez Charter High School
Responsible party	Deming Public Schools and Deming Cesar Chavez Charter High School
Description	Provide students with approved meals for breakfast and lunch.
Term of agreement	One year beginning July 1, 2015
Amount of Project	No monetary payment from the Charter
District contributions	Nutrition services provided by DPS
Audit responsibility	The District

Joint Powers Agreements

Participants	Cooperative Education Services Deming Cesar Chavez Charter High School
Responsible party	Deming Cesar Chavez Charter High School
Description	Procurement services.
Term of agreement	Ongoing beginning November 11, 2009 (# 206)
Amount of Project	No stated limit
District contributions	Payment as quoted and authorized
Audit responsibility	Deming Cesar Chavez Charter High School

Note 15 – Evaluation of Subsequent Events

The School has evaluated subsequent events through November 23, 2016, the date which the financial statements were available to be issued.

Note 16 – Subsequent Pronouncements

Statement 77- *Tax Abatement Disclosures*: Financial statement users need information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 16 - Subsequent Pronouncements (continued)

Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements are effective for reporting periods beginning after December 15, 2015.

Statement 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*: The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local

governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements are effective for reporting periods beginning after December 15, 2015.

Statement 82 - *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*: This Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required

supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements are effective for reporting periods beginning after June 15, 2016.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
NOTES TO THE FINANCIAL STATEMENTS**

Note 17 - Restatement

The Charter determined that its 2015 net position balance was overstated as a result of an overstatement of 2015 receivables balances of Title I IASA, School Improvement, IDEA-B Entitlement and Title I Stimulus revenues recognized in fiscal years 2013 and 2014. As a result of the error, a net adjustment to the June 30, 2015 statement of net position for the Charter was recorded to decrease net position by \$234,417. The impact on previously recorded entity wide net position as of June 30, 2015 is a decrease of \$234,417 and there is no impact to the change in net position for the year then ended. In addition, a net adjustment to the June 30, 2015 operational fund was recorded to decrease fund balance by \$234,417. The impact on previously recorded fund balance as of June 30, 2015 is a decrease of \$234,417 and there is no impact to the change in fund balance for the year then ended.

REQUIRED SUPPLEMENTARY INFORMATION

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SPECIAL REVENUE FUNDS
JUNE 30, 2016**

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the Charter with the purpose of accomplishing specific educational tasks. Grants accounted for the Special Revenue Funds include:

IDEA B Entitlement (24106) – to account for a program funded by a Federal grant to assist the Charter in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611- 620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

Title I School Improvement (24162) – accounts for the federal assistance provided to the Charter for the improvement of educational opportunities to deprived children. (Authority, P.L. 103-382).

Microsoft Settlement (26170) – On November 6, 2001, the United States and Microsoft tentatively agreed to the entry of a revised proposed Final Judgment to resolve the United States’ civil antitrust case against Microsoft. The settlement included the purchase of qualifying hardware, and non-custom software used with the hardware acquired through the use of General Purpose Vouchers or “Professional Development Services” or “IT Support Services” used in connection with the hardware or software acquired through the use of the General Purpose Vouchers and/or Software Vouchers.

Teacher Mentoring (27154) – created by P.L. 107-110 to improve teacher and principal quality and ensure that all teachers are highly qualified.

STATE OF NEW MEXICO
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
 GOVERNMENTAL FUNDS
 JUNE 30, 2016

Schedule E-1

	IDEA B Entitlement 24106	Title I School Improvement 24162	Microsoft Settlement 26170	Teacher Mentoring 27154	Total Nonmajor Funds
ASSETS					
<i>Current Assets</i>					
Cash	\$ -	\$ -	\$ 15,224	\$ 4,271	\$ 19,495
Accounts receivable	14,661	13,660	-	-	28,321
Due from other funds	-	-	-	-	-
<i>Total assets</i>	<u>14,661</u>	<u>13,660</u>	<u>15,224</u>	<u>4,271</u>	<u>47,816</u>
LIABILITIES AND FUND BALANCES					
<i>Current Liabilities:</i>					
Accrued salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-
Unspent grant funds	-	-	-	4,271	4,271
Due to other funds	14,661	13,660	-	-	28,321
<i>Total liabilities</i>	<u>14,661</u>	<u>13,660</u>	<u>-</u>	<u>4,271</u>	<u>32,592</u>
<i>Fund balances</i>					
Fund Balance:					
Restricted	-	-	15,224	-	15,224
Unassigned	-	-	-	-	-
<i>Total fund balance</i>	<u>-</u>	<u>-</u>	<u>15,224</u>	<u>-</u>	<u>15,224</u>
<i>Total liabilities and fund balance</i>	<u>\$ 14,661</u>	<u>\$ 13,660</u>	<u>\$ 15,224</u>	<u>\$ 4,271</u>	<u>\$ 47,816</u>

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2016

Schedule E-2

	IDEA B Entitlement 24106	Title I School Improvement 24162	Microsoft Settlement 26170	Teacher Mentoring 27154	Total Nonmajor Funds
<i>Revenues:</i>					
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -
State grant	-	-	-	-	-
Federal grant	14,661	13,660	-	-	28,321
Miscellaneous income	-	-	-	-	-
<i>Total revenues</i>	<u>14,661</u>	<u>13,660</u>	<u>-</u>	<u>-</u>	<u>28,321</u>
<i>Expenditures:</i>					
<i>Current:</i>					
Instruction	14,661	13,660	7,452	-	35,773
Support Services					
Students	-	-	-	-	-
Instruction	-	-	-	-	-
General Administration	-	-	-	-	-
School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-	-
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Community Services Operations	-	-	-	-	-
Food Services Operations	-	-	-	-	-
Capital outlay	-	-	-	-	-
<i>Total expenditures</i>	<u>14,661</u>	<u>13,660</u>	<u>7,452</u>	<u>-</u>	<u>35,773</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(7,452)</u>	<u>-</u>	<u>(7,452)</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(7,452)</u>	<u>-</u>	<u>(7,452)</u>
<i>Fund balances - beginning, as previously reported</i>	<u>-</u>	<u>-</u>	<u>22,676</u>	<u>-</u>	<u>22,676</u>
<i>Restatement (see Note 17)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning, as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,224</u>	<u>\$ -</u>	<u>\$ 15,224</u>

STATE OF NEW MEXICO
DEMING PUBLIC SCHOOLS

Schedule E-3

CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
IDEA-B ENTITLEMENT FUND
FOR THE YEAR ENDING JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county grants	\$ -	\$ -	\$ -	\$ -
State grants	21,671	21,671	-	(21,671)
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>21,671</u>	<u>21,671</u>	<u>-</u>	<u>(21,671)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	21,671	21,671	14,661	7,010
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services Operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>21,671</u>	<u>21,671</u>	<u>14,661</u>	<u>7,010</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(14,661)</u>	<u>(14,661)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(14,661)</u>	<u>(14,661)</u>
<i>Cash or fund balance, beginning of year, as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash or fund balance, end of year (deficit)</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,661)</u>	<u>\$ (14,661)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			\$ 14,661	
Adjustments to expenditures			<u>-</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS

Schedule E-4

CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 TITLE I SCHOOL IMPROVEMENT FUND
 FOR THE YEAR ENDING JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county grants	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	13,660	(13,660)
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services Operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>13,660</u>	<u>(13,660)</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(13,660)</u>	<u>(13,660)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(13,660)</u>	<u>(13,660)</u>
<i>Cash or fund balance, beginning of year, as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash or fund balance, end of year (deficit)</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,660)</u>	<u>\$ (13,660)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			\$ 13,660	
Adjustments to expenditures				
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

STATE OF NEW MEXICO
DEMING PUBLIC SCHOOLS

Schedule E-5

CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
MICROSOFT SETTLEMENT FUND
FOR THE YEAR ENDING JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county grants	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	22,676	22,676	7,452	15,224
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services Operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>22,676</u>	<u>22,676</u>	<u>7,452</u>	<u>15,224</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(22,676)</u>	<u>(22,676)</u>	<u>(7,452)</u>	<u>15,224</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	22,676	22,676	-	(22,676)
<i>Total other financing sources (uses)</i>	<u>22,676</u>	<u>22,676</u>	<u>-</u>	<u>(22,676)</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(7,452)</u>	<u>(7,452)</u>
<i>Cash or fund balance, beginning of year</i>	<u>-</u>	<u>-</u>	<u>22,676</u>	<u>22,676</u>
<i>Cash or fund balance, end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,224</u>	<u>\$ 15,224</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			\$ -	
Adjustments to expenditures			-	
NET CHANGE IN FUND BALANCE			<u>\$ (7,452)</u>	

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 TEACHER MENTORING FUND
 FOR THE YEAR ENDING JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county grants	-	-	-	\$ -
State grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services Operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	-	-
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net changes in fund balances</i>	-	-	-	-
<i>Cash or fund balance, beginning of year</i>	-	-	4,271	4,271
<i>Cash or fund balance, end of year</i>	\$ -	\$ -	\$ 4,271	\$ 4,271
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			\$ -	
Adjustments to expenditures			-	
NET CHANGE IN FUND BALANCE			\$ -	

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
 PUBLIC SCHOOL CAPITAL OUTLAY FUND
 FOR THE YEAR ENDING JUNE 30, 2016

	Budgeted Amounts		Actual Amount	Variance Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county grants	-	-	-	\$ -
State grants	93,291	93,291	-	(93,291)
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>93,291</u>	<u>93,291</u>	<u>-</u>	<u>(93,291)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Services Operations	-	-	-	-
Capital outlay	93,291	93,291	93,291	-
<i>Total expenditures</i>	<u>93,291</u>	<u>93,291</u>	<u>93,291</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(93,291)</u>	<u>(93,291)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(93,291)</u>	<u>(93,291)</u>
<i>Cash or fund balance, beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash or fund balance, end of year (deficit)</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (93,291)</u>	<u>\$ (93,291)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			\$ 93,291	
Adjustments to expenditures			-	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

**STATE OF NEW MEXICO
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
 THE EDUCATIONAL RETIREMENT BOARD PENSION PLAN
 LAST 10 FISCAL YEARS***

Schedule F-1

	Measurement Date	
	June 30, 2015	June 30, 2014
	<u> </u>	<u> </u>
Cesar Chavez High School Charter' proportion of the net pension liability	0.02286%	0.02939%
Cesar Chavez High School Charter' proportionate share of the net pension liability	\$ 1,480,695	\$ 1,676,905
Cesar Chavez High School Charter' covered employee payroll	\$ 624,151	\$ 810,205
Cesar Chavez High School Charter' proportionate share of the net pension liability as a percentage of its covered employee payroll	237%	207%
Plan fiduciary net position as a percentage of total pension liability	63.97%	66.54%

*This schedule is presented prospectively beginning with information pertaining to the fiscal year ended June 30, 2015.

**STATE OF NEW MEXICO
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 SCHEDULE OF CONTRIBUTIONS TO THE
 EDUCATIONAL RETIREMENT BOARD PENSION PLAN
 LAST 10 FISCAL YEARS***

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contributions	\$ 163,184	\$ 90,334
Contributions in relation to contractually required contributions	<u>163,184</u>	<u>90,334</u>
Contribution deficiency (excess)	\$ -	\$ -
Cesar Chavez High School Charter' covered employee payroll	\$ 624,151	\$ 810,205
Contributions as a percentage of covered employee payroll	26.14%	11.15%

*This schedule is presented prospectively beginning with information pertaining to the fiscal year ended June 30, 2015.

STATE OF NEW MEXICO
CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
NOTES TO THE SCHEDULES OF THE CHARTER'S
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND SCHEDULE OF THE CHARTER'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule F-2

Page 2 of 2

Changes of benefit terms – The COLA and retirement eligibility benefits changes in recent years are described in the *Benefits Provided* subsection of financial statement Note 8 – Pension Plan.

Changes of assumptions – The ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the ERB Board of Trustees on June 12, 2015, ERB implemented the following changes in assumptions for fiscal year 2015:

1. Lower wage inflation from 4.25% to 3.75%
2. Update the mortality tables to incorporate generational improvements
3. Update demographic assumptions to use currently published tables, which may result in minor calculation changes
4. Remove population growth assumption for projections
5. Lower population growth from .50% to zero

See also the *Actuarial Assumptions* subsection of financial statement Note 8 – Pension Plan.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
DEMING PUBLIC SCHOOLS
CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule I

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS				
Cash	\$ 1,538	\$ 1,957	\$ 1,684	\$ 1,811
Total assets	<u>\$ 1,538</u>	<u>\$ 1,957</u>	<u>\$ 1,684</u>	<u>\$ 1,811</u>
 LIABILITIES				
Deposits held for others	\$ 1,538	\$ 1,957	\$ 1,684	\$ 1,811
Total liabilities	<u>\$ 1,538</u>	<u>\$ 1,957</u>	<u>\$ 1,684</u>	<u>\$ 1,811</u>

STATE OF NEW MEXICO
DEMING PUBLIC SCHOOLS
CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2016

Name of Depository	Description of Pledged Collateral	Fair / Par Market Value June 30, 2016	Name and Location of Safekeeper
First New Mexico Bank	MORA 616412EJ7 7/1/16	\$ 250,000	First New Mexico Bank
First New Mexico Bank	843789EH7 8/1/2021	269,888	First New Mexico Bank
First New Mexico Bank	899172HF0 9/15/2017	225,652	First New Mexico Bank
		\$ 745,540	

STATE OF NEW MEXICO
DEMING PUBLIC SCHOOLS
CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS
JUNE 30, 2016

Schedule III

<u>Bank Account Type</u>	<u>Amount</u>
Checking - Operational	<u>\$ 862,179</u>
Reconciling Items	<u>(24,154)</u>
Reconciled Balance June 30, 2016	838,025
Less Agency Funds	<u>1,811</u>
Total governmental funds	<u><u>\$ 836,214</u></u>

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 SCHEDULE OF CASH RECONCILIATION
 JUNE 30, 2016

Schedule IV
 (Page 1 of 2)

	Operational Account 11000	Instructional Materials Account 14000	Non Instructional Account 23000	Federal Flowthrough Account 24000
Cash, June 30, 2015	\$ 1,509,280 *	\$ 1,663	\$ -	\$ (234,417)
Add:				
2015-16 revenues	1,360,817	7,366		-
Total cash available	2,870,097	9,029	-	(234,417)
Less:				
2015-16 expenditures	(1,749,098) *	-	-	(75,573)
Loans to other funds	-	-	-	-
Receivables/Payables	-	-	-	-
Cash, June 30, 2016	1,120,999 *	9,029	-	(309,990) *
Fund Balance Reconciliation to GAAP Basis:				
Audit reclassifications to cash	(345,246)	-	1,811	309,990
Cash per Books	775,753	9,029	1,811	-
Fund Balance Reconciliation to GAAP Basis:				
Modified Accrual Adjustments	192,679	-	(1,811)	-
Fund Balance, Modified Accrual Basis	\$ 968,432	\$ 9,029	\$ -	\$ -

*Did not reconcile to the general ledger.

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
 SCHEDULE OF CASH RECONCILIATION
 JUNE 30, 2016

Schedule IV
 (Page 2 of 2)

Federal Direct Account 25000	Local Grants 26000	State Flowthrough 27000	Public School Capital Outlay Account 31200	Total
\$ 33,410	\$ 22,676	\$ 4,271	\$ -	\$ 1,336,883
-	-	-	-	1,368,183
33,410	22,676	4,271	-	2,705,066
(1,473)	(7,452)	-	*	(1,833,596)
-	-	-	-	-
<u>31,937</u>	<u>15,224</u>	<u>4,271</u>	<u>-</u>	<u>* 871,470</u>
-	-	-	-	(33,445)
<u>31,937</u>	<u>15,224</u>	<u>4,271</u>	<u>-</u>	<u>\$ 838,025</u>
			Less Activity Fund Exhibit B-1	1,811
				<u>\$ 836,214</u>
(31,937)	-	(4,271)	-	154,660
<u>\$ -</u>	<u>\$ 15,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 992,685</u>

OTHER INFORMATION

STATE OF NEW MEXICO
 DEMING PUBLIC SCHOOLS
 SCHEDULE OF VENDOR INFORMATION FOR Purchases Exceeding \$60,000 (excluding GRT)
 CESAR CHAVEZ HIGH SCHOOL
 CHARTER SCHOOL
 PREPARED DATED JUNE 30, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
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NONE

**REPORT OF INDEPENDENT AUDITORS 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**

Governing Council
 Cesar Chavez High School Charter School
 Deming, New Mexico
 and
 Timothy Keller
 New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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 budgetary comparisons of the operating funds and major special revenue funds of Cesar Chavez High School Charter School ("School") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and the individual funds, related budgetary comparisons, and fiduciary fund of the School, presented as supplementary information, and have issued our report thereon dated November 23, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's 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 School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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.

Governing Council
Cesar Chavez High School Charter School
Deming, New Mexico
and
Timothy Keller
New Mexico State Auditor

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-11.

A *significant deficiency* is a deficiency, or a 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-001 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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* and which are described in the accompanying schedule of findings and responses as items 2013-001, 2013-004, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-012.

Cesar Chavez High School Charter School's Response to Findings

The School's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School's responses were not subjected 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.

Mess Adams LLP

Albuquerque, New Mexico
November 23, 2016

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016**

2013-001 Cash Reporting (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

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.

Current Status: Repeated

Reason for finding reoccurrence: The School was not able to identify and correct the difference in cash before the final year end reports were prepared.

Corrective Action Plan: The previous audit entries through June 30, 2015 have been made to the general ledger. The Business Manager for DCCCHS will submit the corrections to the NMPED on the upcoming December 2016 quarterly reports.

Person Responsible: Charter School Business Manager

2013-004 Budgetary Controls (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

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

General fund- instructional materials: \$1,109

Current Status: Repeated

Reason for finding reoccurrence: The district did not request the budget adjustments to alleviate these budgets overruns for the Charter.

Corrective Action Plan: The Principal and Governing Council will establish an appropriate policy and timeline of budgetary review prior to April 2016. The Business Manager will coordinate with Deming Public Schools on an ongoing basis to ensure that the budget for each fund is entered into the Operating Budget Management System (OBMS).

Person Responsible: Charter School Principal and Governing Council

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2013-001 NMPED Cash Reporting, (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: We noted the NMPED Cash Report for 11000, 24000, and 31200 Fund did not agree to the general ledger balance, we noted a net difference of \$35,257.

Management has not made progress in regards to reconciling cash report to the general ledger.

Criteria: Per state audit rule Section 6.20.2.13 (D) and (E) of NMAC, the audit report of each school district shall include a cash reconciliation schedule which reconciled the cash balance as of the end of the previous fiscal year to the cash balance at the end of the current fiscal year.

Effect: The NMPED does not have an accurate accounting of the School's activity.

Cause: The Schools cash report does not include adjustments previously made to the general ledger.

Auditor's Recommendation: We recommend that policies and procedures be implemented to ensure that all adjustments be completed before the final reports are submitted to the department. Additionally, an individual should review the report to ensure that the report matched the general ledger and the cash accounts as appropriate.

Management Response: The previous audit entries through June 30, 2015 have been made to the general ledger. The Business Manager will submit the corrections to NMPED on the upcoming quarterly reports ending December 2016.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2013-004 Budgetary Conditions (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: The School has expenditure functions where actual expenditures exceeded budgetary authority:

Title I	\$3,854
Title I School Improvement	\$13,660

Management has not made progress in regards to budgetary conditions.

Criteria: Per NMAC 6.20.2.9(A) every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2 NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed.

Per NMAC 6.20.2.10.B, School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. Budget adjustments shall not be incorporated into the school district's accounting system until approval is received by the department.

Effect: The School was out of compliance with New Mexico state statute and funds spent could be considered unallowable.

Cause: The School did not have an approved budget adjustment request (BAR) aforementioned federal flow-through funds submitted.

Auditor's Recommendation: We recommend the School establish a policy of budgetary review at the end of each quarter and have the board approve the necessary budgetary adjustments to ensure funds are not over expended. We recommend that all BARs are properly completed for all changes in funding received and that all BARs are approved by the board and submitted to the department prior to the end of the year.

Management's Response: The Principal and Governing Council will establish an appropriate policy and timeline of budgetary review prior to April 2017. The Business Manager will coordinate with Deming Public Schools on an ongoing basis to ensure that the budget for each fund is entered into the Operating Budget Management System (OBMS).

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-001 Internal Control Structure, Significant Deficiency

Condition: During our audit we encountered the following issues:

- Four journal entries tested were not reviewed and approved.
- One employee contract tested was not signed prior to the start of school year.
- Fiscal year 2015 books had not been closed when the audit had started. This caused beginning cash and fund balances balance to not properly rollforward into the current year general ledger. Subsequent to year-end, management closed the prior year books and reconciled the beginning cash and fund balances to the general ledger.
- The school does not have policies and procedures for operating funds or student activity funds over how cash is collected and recorded in the general ledger.

Criteria: Per NMAC 6.20.2.11 Internal Control Structure Standards, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Effect: Misstatements of financial statements and/or possible misappropriation of assets.

Cause: Journal entries were made without having a signed written approval. An employee contract was signed after the employee began employment. Previous year books were not closed appropriately by the start of the audit. By the end of the audit, the issues were resolved and the general ledger was reconciled to the cash balance. School activity funds have been tracked and reconciled through a spreadsheet outside the primary accounting software.

Auditor's Recommendation: We recommend that management ensure that adequate internal controls are established surrounding the financial reporting process including journal entries and closing of books. In addition, we recommend that the school ensure all employee contracts are properly signed when employees are hired. Finally, we recommend that policies and procedures be created to ensure all cash is properly received and recorded.

Management's Response: The Principal and Business Manager will ensure a system of review and approval for contracts and journal entries by January 2017. The Principal has implemented a system to ensure employee contracts are signed prior to beginning work. The Business Manager has made the corrections necessary and rolled forward all previous year balances according to audited balances. The Business Manager will transfer the records of the activity funds to AptaFund prior to February 2017.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-002 New Mexico Retiree Health Care Contributions, (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: During our testwork we noted the New Mexico Retiree Health Care (NMRHC) payments and reports for October 31, 2015 (\$70,031), and July 31, 2015 (\$22,024) were not submitted until November 12, 2015, and August 14, 2015, respectively.

Criteria: Monthly contributions to the Retiree Health Care (NMRHC) are required to be remitted no later than the 10th of the following month, per NMSA 1978 10-7C-15.

Effect: In accordance with the RHC rules, penalties will be assessed to the administrative unit when contributions and/or reports are not remitted by the due date.

Cause: NMRHC was submitted two and four days late respectively by a former employee.

Auditor's Recommendation: We recommend the Charter implement a monthly review checklist of all payments to ensure that NMRHC payments are processed and paid in a timely manner.

Management's Response: The Charter has implemented a payment due schedule beginning November 2016 and will ensure that the NMRHC payments are paid prior to the 10th of the following month. The Business Manager will ensure that all NMRHC payments are made prior to the 10th of the following month.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-003 Fixed Assets (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: The school did not perform a physical inventory or maintain a fixed asset schedule during the 2015-2016 year.

Criteria: Per NMAC 6.20.2.22 Assets of a long-term character which are intended to continue to be held or used, such as land (including acquisition and improvements to grounds), buildings (including initial, acquisition, improvements, remodeling, additions, and replacement), furniture, machinery and equipment shall be acquired and accounted for through the development and implementation of a complete property control system which shall be adopted by the local board and in accordance with GAAP. General services department (GSD) rules(s), the state Procurement Code, and any other applicable state and federal requirements.

Per NMAC 2.20.1.16, Annual inventory, at the end of the fiscal year, each agency shall conduct a physical inventory of the fixed assets consisting of those with historical cost of five thousand (\$5,000) or more, under the control of governing authority. 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of moveable chattels and equipment on the inventory list at the end of each physical year. The agency shall certify the correctness of the inventory after the physical inventory.

Effect: The school could be purchasing items that are not being properly inventoried or capitalized as required by State Audit Rule. This poses the risk of misstatement and misappropriation of assets.

Cause: A complete physical inventory was not completed due to postings of previous audits. The fixed asset schedule did not include leasehold improvements.

Auditor's Recommendation: We recommend the school implement policies and procedure to ensure that all items are properly added or deleted from the capitalization listing and that a physical inventory is completed annually.

Management's Response: The Principal and Governing Council will implement policies and procedures for physical inventory and asset management prior to April 2017. The School has updated the asset inventory. The Business Manager will ensure the procedure for physical inventory is followed.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-004 Stale Dated Checks, (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: During cash test work, we noted 1 check that was written over a year ago listed as outstanding checks in the amount of \$48.00 on the June 30, 2016 bank reconciliation.

Criteria: Per Section 6-10-57, NMSA 1978 whenever any warrant issued by the state, county, municipality, school district or special district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.

Effect: The School and NMPED does not have an accurate understanding of their cash position.

Cause: A check was not voided in the accounting system due to the prior year books not being closed.

Auditor's Recommendation: We recommend that the stale checks be voided as soon as possible and that a procedure be implemented to track stale dated checks.

Management's Response: The check was voided in the accounting system in November 2016 by the Business Manager. The Principal and Business Manager will revise the bank reconciliation process by February 2017 to ensure cancelation of stale dated checks.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-005 Audit Committee, (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: We noted the school does not have a parent volunteer on the audit committee that is independent from the school board.

Criteria: Per NMSA 22-8-12.3, each local school board shall appoint an audit committee that consists of two board members, one volunteer member who is a parent of a student attending the school district and one volunteer member who has experience in accounting or financial matters.

Effect: The School does not have the proper oversight as required by NMSA 22-8-12.3 which could result in errors going undetected.

Cause: Management made several attempts to solicit the required members and have not been successful recruiting a parent member.

Auditor's Recommendation: We recommend that the School find the required members to be in compliance with the state requirement.

Management's Response: The Principal and Governing Council will continue efforts to recruit and seat a parent volunteer to the audit committee by April 2017.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-006 Cash disbursements – (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: We noted a purchase order was approved on June, 6 2016 for travel by a board member that had occurred on June 2, 2016 in the amount of \$263.06.

Criteria: Public Schools Accounting & Budgeting Supplement 13-Purchasing states that “the preparation and execution of duly authorized purchase order must precede the placement of any order for goods, services or construction.

Effect: The lack of enforcing policies and procedures may result in the non-authorized purchase of goods and/or services.

Cause: There was no prior encumbrance to a travel expense.

Auditors’ Recommendation: We recommend that the Charter review policies and procedures and that all purchase orders be properly completed and approved before purchase.

Management’s Response: The Principal will implement a travel procedure by February 2017 to ensure encumbrance prior to travel.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-007 Cash Control Standards – (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: The school is not reconciling their bank accounts to the general ledger. There was a difference of \$326,900 due to prior year ending cash not properly rolling forward as prior year books were not closed. We noted that with the prior year cash, the school had a remaining difference of \$1,811. This difference was determined to be the student activity fund, which was not be properly maintained in the general ledger. In addition, bank reconciliation are not being reviewed and approved.

Criteria: NMAC 6.20.2.14K states that all bank accounts shall be reconciled on a monthly basis. PSAB Supplement 7 also requires that school districts perform bank reconciliations timely.

Per NMAC 6.20.2.14 (K), all bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent.

Effect: Without performing bank reconciliations timely, incorrect posting to the general ledger will not be recognized. In addition, it is often difficult to detect fraudulent activity if bank reconciliations are not prepared timely or reviewed by someone other than the preparer. Fraudulent transactions can take place and not be detected.

Cause: Due to prior years not being closed, the expected general ledger balance was not current. Bank statements were not reviewed by a second party.

Auditors' Recommendation: We recommend that the Charter perform bank reconciliations on a monthly basis and be reviewed by the director or a board member.

Management's Response: The prior years have been closed and balances reflect previous audit balances. The Principal will establish a procedure by February 2017 for a second party to review bank reconciliations.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-008 Policies and Procedures over Background Checks - (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: We noted the school does not have any written policies or procedures over ensuring background checks are completed on all personnel before hiring. In addition, we noted one background check that was completed after the employee was hired.

Criteria: NMSA-22-10A-5 requires them to "develop policies and procedures to require background checks on an applicant who has been offered employment, a contractor or a contractor's employee with unsupervised access to students at a public school.

Effect: The result is unnecessary risk and potential danger to the students or fellow personnel, also inadequate vetting can also increase the risk of public funds being misused.

Cause: There is no formal policy or procedure for obtaining background checks prior to hire. Background checks were made on an individual after hire.

Auditors' Recommendation: We recommend that the school establish procedures to ensure that all employees are fingerprinted prior to hiring.

Management's Response: The Principal will establish a procedure by February 2017 to ensure employees and any individual with unsupervised access to students have completed background checks prior to hire. The School will continue to conduct background checks through the Deming Public School district.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-009 Uniform Guidance Written Policies and Procedures (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: The school had not implemented the written policies and procedures required under the Uniform Grant Guidance.

Criteria: Per Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the entity must have “written procedures for determining the allowability of costs in accordance with Subpart E-Cost Principles of this part and the terms and conditions of the Federal award” as well as “written procedures to implement the requirements of Section 200.305 Payment”. In addition for travel costs, per Uniform Guidance, “Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charged directly to the Federal award, documentation must justify that: (1) Participation of the individual is necessary to the Federal award; and (2) The costs are reasonable and consistent with non-Federal entity's established travel policy.

Effect: The school is not in compliance with Uniform Grant Guidance standards for allowable cost principles, cash management, and travel costs.

Cause: The School does not have written policies and procedures as per the Uniform Grant Guidance.

Auditor's Recommendation: We recommend management update their accounting manual to include the applicable standards required under the Uniform Grant Guidance.

Management's Response: The School will implement a policy for the applicable standards required under the Uniform Grant Guidance by May 2017. A third party has been identified to assist this process. The Business Manager will be responsible for ensuring compliance.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-010 4th quarter NMPED reports, (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: We noted the 4th quarter budget to actual report submitted to the New Mexico Public Education Department (NMPED) did not agree to the general ledger.

Criteria: Per the Manual of Procedures for Public School Accounting and Budgeting Actual reporting involves the submission of actual revenues and expenditures (a summary report) on the district or Charter's general ledger on a monthly or quarterly basis.

Effect: The Charter has not reported the correct actual amount to the NMPED.

Cause: Reconciling journal entries from previous audits were not received and entered. As such school was waiting to close books.

Auditor Recommendation: We recommend school ensure that all adjustments have been made to the trial balance prior to the submission of actuals to the NMPED.

Management Response: The previous audit entries through June 30,2015 have been made to the general ledger. The Business Manager for DCCCHS will submit the corrections to NMPED on the upcoming December 2016 quarterly reports.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-011 Restatement, Material Weakness

Condition: The prior year fund balance and net position balances were overstated as a result of 2015 receivable related to fiscal year 2013 and fiscal year 2014 revenues. We noted an overstatement of receivables related to Title I IASA (\$124,290), School Improvement (\$108,038), IDEA-B Entitlement (\$1,059) and Title I Stimulus (\$1,030). This resulted in an error of \$234,417 that was corrected through a restatement of operational fund balance and net position as of June 30, 2015.

Criteria: Good accounting practices call for accurate and timely records and NMSA 1978 6-5-2 specifies that agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Effect: The fiscal year 2015 net position and operational fund balance were overstated by \$234,417 and corrected by restating these balances.

Cause: The Charter does not have proper controls in place to reconcile beginning accounts receivable balances. The Charter could not request reimbursement on funds when they had not received budget authority to spend monies. In addition, request for reimbursements were submitted by the district after the due date to the NMPED and could no longer be requested. These requests were denied in October 2014 and financial statements were not corrected in 2015.

Auditor's Recommendation: We recommend that the Charter reconcile all receivable balances (including beginning balances) to ensure that amounts are collectible and determine whether an allowance policy should be adopted.

Management's Response: Management will have more due diligence on reviewing our final financial statements before issuance. Finance committee will review financial packets and bank statements, each month. The Principal and Business Manager will adopt and implement a procedure by February 2017.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016**

2016-012 Late Audit Submission, (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)

Condition: The Charters's audit report for the year ended June 30, 2016 was not submitted to the State Auditor by the required due date, November 15, 2016.

Criteria: Audit reports not received on or before the due date, November 15, are considered to be in non-compliance with requirements of Section 2.2.2.9.A of the State Audit Rule.

Effect: The result was the late submission of the Charters's audit report for the year ended June 30, 2016. The users of the audited financial statements and the Charters's management do not have timely information. In addition, untimely financial audits may affect federal and state funding.

Cause: The Charter's bank accounts were not reconciled to the general ledger on a timely basis.

Auditors' Recommendations: The Charter must prepare all necessary reconciliations and schedules to the auditor's timely and accurately.

Management's Response: The Charter's bank accounts have been reconciled to the general ledger. The accounting system and closing process has been modified to ensure that the previous error does not reoccur. In future audits, both the Business Manager of the charter school and auditor will work to ensure timely submittal of the audit.

**CESAR CHAVEZ HIGH SCHOOL CHARTER SCHOOL
(COMPONENT UNIT OF DEMING PUBLIC SCHOOLS)
EXIT CONFERENCE
For the Year Ended June 30, 2016**

The contents of this report were discussed on November 22, 2016. Present at this exit conference were:

Name	Title	Affiliation
Cesar Chavez Charter School		
Chris Masters	Business Manager	Cesar Chavez High School
Dan Sanchez	Board Member	Cesar Chavez High School
Moss Adams LLP		
Sheila Herrera, CPA	Assurance Senior Manager	Moss Adams LLP
Darcy Odom	Assurance Staff	Moss Adams LLP