

State of New Mexico
Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2018



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

THIS PAGE INTENTIONALLY LEFT BLANK

Introductory Section

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Table of Contents
June 30, 2018

INTRODUCTORY SECTION

Table of Contents	4-5
Official Roster	7

REPORT

Independent Auditors' Report	10-12
------------------------------	-------

FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Position	14-15
Statement of Activities	16-17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual:	
General Fund (11000, 14000)	22
TANF/GRADS Special Revenue Fund (25162)	23
Statement of Fiduciary Assets and Liabilities - Agency Funds	25
Notes to the Financial Statements	26-58

REQUIRED SUPPLEMENTARY INFORMATION

Educational Retirement Board (ERB) Pension Plan	
Schedule of Proportionate Share of the Net Pension Liability	60-61
Schedule of Contributions	62-63
Notes to Required Supplementary Information	64
New Mexico Retiree Health Care Authority (NMRHCA) Plan	
Schedule of Employer's Proportionate Share of the Net OPEB Liability of New Mexico Retiree Health Care Act Plan	66
Schedule of Employer Contributions	67
Notes to Required Supplementary Information	68

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Table of Contents
June 30, 2018

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Fund Descriptions	73
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	74-75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	76-77
Combining Balance Sheet - General Fund	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund	81
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual Operating Fund (11000)	82
Instructional Materials Fund (14000)	83
SUPPORTING SCHEDULES	
Schedule of Deposits	87
Cash Reconciliation	88-89
Schedule of Collateral Pledged by Depository for Public Funds	90
Schedule of Changes in Assets and Liabilities - Agency Funds	91
COMPLIANCE SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	94-95
Schedule of Findings and Responses	97-101
OTHER DISCLOSURES	102

THIS PAGE INTENTIONALLY LEFT BLANK

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Official Roster
June 30, 2018**

<u>Name</u>		<u>Title</u>
	<u>Governance Council</u>	
Victor Cruz		President
Antoinette Zurich		Vice President
Dan Sanchez		Treasurer
Neima Higuera		Secretary
Tony Guerrero		Member
	<u>School Officials</u>	
Stan Lyons		Director
Christopher Masters		Business Manager

THIS PAGE INTENTIONALLY LEFT BLANK

Report

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor and
The Governing Council
Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Office of Management and Budget
Deming, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue fund of Deming Cesar Chavez Charter High School (the "Charter"), a component unit of Deming Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Charter's basic financial statements 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter'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 Charter's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Deming Cesar Chavez Charter High School (the "Charter"), a component unit of Deming Public Schools, as of June 30, 2018, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund and major special revenue fund 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 Deming Cesar Chavez Charter High School. They do not purport to, and do not, present fairly the financial position of Deming Public Schools, as of June 30, 2018, 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 prior year financial statements have been restated in the amount of (\$1,235,375) related to the Charter's adoption of new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the GASB required pension and OPEB schedules, and the notes to the required supplementary information on pages 60 through 68 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 inquires 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and Supporting Schedules required by 2.2.2 NMAC as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and Supporting Schedules required by 2.2.2 NMAC as listed in the table of contents required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and Supporting Schedules required by 2.2.2 NMAC as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the Charter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter's 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 Charter's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
November 15, 2018

Financial Statements

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Statement of Net Position
June 30, 2018

	Primary Government Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 699,132
Due from other governments	135,328
Total current assets	834,460
Noncurrent assets	
Restricted assets:	
Capital assets	665,949
Less: accumulated depreciation	(191,684)
Total noncurrent assets	474,265
Total assets	1,308,725
Deferred outflows of resources	
Changes in proportion	404,800
Changes of assumption	1,100,771
Differences between expected and actual experience	6,769
Employer contributions subsequent to the measurement date	145,791
Total deferred outflows of resources	1,658,131
Total assets and deferred outflows of resources	\$ 2,966,856

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

	Primary Government Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 9,150
Accrued payroll	64,683
Total current liabilities	73,833
Noncurrent liabilities	
OPEB liability	1,040,019
Net pension liability	3,770,800
Total noncurrent liabilities	4,810,819
Total liabilities	4,884,652
Deferred inflows of resources	
Unavailable revenue - grants	36,208
Changes in proportion	96,691
Changes of assumption	181,834
Differences between expected and actual experience	98,003
Net difference between projected and actual investments earnings on pension plan investments	15,478
Total deferred inflows of resources	428,214
Net position	
Net investment in capital assets	474,265
Restricted for:	
Special revenue	1,386
Unrestricted	(2,821,661)
Total net position	(2,346,010)
Total liabilities, deferred inflows of resources, and net position	\$ 2,966,856

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

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental Activities:			
Instruction	\$ 1,077,739	-	\$ 56,170
Support services - students	267,442	-	13,938
Support services - general administration	320,466	-	16,702
Support services - school administration	270,372	-	14,091
Central services	179,792	-	9,370
Operation and maintenance of plant	373,407	-	19,461
Total governmental activities	\$ 2,489,218	\$ -	\$ 129,732

General Revenues

State equalization guarantee

Investment income

Total general revenues

Change in net position

Net position - beginning, as originally stated

Net position - restatement (Note 17)

Net position - as restated

Net position - ending

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

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
<u>Capital Grants and Contributions</u>		<u>Government Activities</u>	
\$	47,195	\$	(974,374)
	11,711		(241,793)
	14,033		(289,731)
	11,840		(244,441)
	7,873		(162,549)
	16,352		(337,594)
<u>\$</u>	<u>109,004</u>		(2,250,482)
			1,706,379
			41,984
			<u>1,748,363</u>
			(502,119)
			(608,516)
			<u>(1,235,375)</u>
			(1,843,891)
		\$	<u>(2,346,010)</u>

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund 11000, 14000	TANF/ GRADS 25162	Total Nonmajor Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 661,133	\$ 31,937	\$ 6,062	\$ 699,132
Receivables:				
Due from other governments	13,414	-	121,914	135,328
Due from other funds	117,473	-	-	117,473
Total assets	\$ 792,020	\$ 31,937	\$ 127,976	\$ 951,933
Liabilities, deferred inflows of resources, and fund balances				
Liabilities				
Accounts payable	\$ 9,141	\$ -	\$ 9	\$ 9,150
Accrued payroll	60,058	-	4,625	64,683
Due to other funds	-	-	117,473	117,473
Total liabilities	69,199	-	122,107	191,306
Deferred inflows of resources				
Unavailable revenue - grants	-	31,937	4,271	36,208
Total deferred inflows of resources	-	31,937	4,271	36,208
Fund balances				
Restricted for:				
Instructional materials	13,568	-	-	13,568
Education	-	-	1,727	1,727
Committed for:				
Subsequent year's expenditures	-	-	-	-
Unassigned	709,253	-	(129)	709,124
Total fund balances	722,821	-	1,598	724,419
Total liabilities, deferred inflows of resources, and fund balances	\$ 792,020	\$ 31,937	\$ 127,976	\$ 951,933

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2018

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

Fund balances - total governmental funds	\$	724,419
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds		474,265
Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in funds:		
Deferred outflows related to changes in proportion		404,800
Deferred outflows related to changes of assumption		1,100,771
Deferred outflows related to employer contribution subsequent to the measurement date		145,791
Deferred outflows of resources related to differences between expected and actual experience		6,769
Deferred inflows related to changes in proportion		(96,691)
Deferred inflows related to changes of assumption		(181,834)
Deferred inflows of resources related to differences between expected and actual experience		(98,003)
Deferred inflows of resources related to the net difference between projected and actual investments on pension plan investments		(15,478)
Liabilities, net pension liability, and other post-employment liability are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(3,770,800)
OPEB liability		(1,040,019)
Total net position - governmental funds	\$	(2,346,010)

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund 11000, 14000	TANF/ GRADS 25162	Total Nonmajor Governmental Funds	Total
Revenues				
Intergovernmental revenue:				
Federal flowthrough	\$ -	\$ -	\$ 109,700	\$ 109,700
Local sources	-	-	15,000	15,000
State flowthrough	-	-	18,703	18,703
State direct	1,711,411	-	90,301	1,801,712
Investment income	41,984	-	-	41,984
Total revenues	1,753,395	-	233,704	1,987,099
Expenditures				
Current:				
Instruction	680,024	-	109,700	789,724
Support services - students	179,438	-	-	179,438
Support services - general administration	224,964	-	-	224,964
Support services - school administration	203,732	-	-	203,732
Central services	124,187	-	-	124,187
Operation and maintenance of plant	197,076	-	123,940	321,016
Total expenditures	1,609,421	-	233,640	1,843,061
Excess (deficiency) of revenues over expenditures	143,974	-	64	144,038
Net change in fund balances	143,974	-	64	144,038
Fund balances - beginning of year	578,847	-	1,534	580,381
Fund balances - end of year	\$ 722,821	\$ -	\$ 1,598	\$ 724,419

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds	\$	144,038
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Depreciation expense		(24,047)
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>		
Charter pension contribution		127,958
Charter OPEB contribution		17,833
Pension expense		(726,552)
OPEB expense		(41,349)
<hr/>		
Change in net position of governmental activities	\$	(502,119)
<hr/>		

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
General Fund (11000, 14000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
				<u>Final to Actual</u>
Revenues				
State direct	\$ 1,500,346	\$ 1,710,416	\$ 1,697,997	\$ (12,419)
Investment Income	3,000	3,000	41,984	38,984
Total revenues	1,503,346	1,713,416	1,739,981	26,565
Expenditures				
Current:				
Instruction	804,251	998,004	685,793	312,211
Support services - students	200,600	203,700	179,438	24,262
Support services - general administration	267,325	303,425	224,573	78,852
Support services - school administration	209,706	238,706	201,118	37,588
Central services	135,100	135,100	124,187	10,913
Operation and maintenance of plant	224,400	336,482	197,303	139,179
Total expenditures	1,841,382	2,215,417	1,612,412	603,005
Excess (deficiency) of revenues over expenditures	(338,036)	(502,001)	127,569	629,570
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	338,036	502,001	-	(502,001)
Total other financing sources (uses)	338,036	502,001	-	(502,001)
Net change in fund balance	-	-	127,569	127,569
Fund balance - beginning of year	-	-	649,069	649,069
Fund balance - end of year	\$ -	\$ -	\$ 776,638	\$ 776,638
Net change in fund balance (Non-GAAP budgetary basis)				\$ 127,569
Adjustments to revenues for taxes and intergovernmental revenue				13,414
Adjustments to expenditures for supplies and payroll expenditures				2,991
Net change in fund balance (GAAP Basis)				\$ 143,974

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

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
TANF/GRADS Special Revenue Fund (25162)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
				<u>Final to Actual</u>
Revenues				
Intergovernmental revenue				
State direct	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current				
Instruction	31,936	31,936	-	31,936
Total expenditures	31,936	31,936	-	31,936
Excess (deficiency) of revenues over expenditures	(31,936)	(31,936)	-	31,936
Other financing sources (uses)				
Designated cash balance (budgeted increase in cash)	31,936	31,936	-	(31,936)
Total other financing sources (uses)	31,936	31,936	-	(31,936)
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$	-
No adjustments to revenues or expenditures				-
Net change in fund balance (GAAP Basis)			\$	-

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

THIS PAGE INTENTIONALLY LEFT BLANK

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018**

Assets	
Current assets	
Cash and cash equivalents	\$ 4,224
<hr/>	
Total assets	\$ 4,224
<hr/>	
Liabilities	
Due to student organizations	\$ 4,224
<hr/>	
Total liabilities	\$ 4,224
<hr/>	

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

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 of the State Board of Education and the Legislative Financial Committee. The Governing Council is comprised of five members.

The Charter provides 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.

This summary of significant accounting policies of the Charter is presented to assist in the understanding of the Charter’s financial statements. The financial statements and notes are the representation of the Charter’s management that is responsible for the financial statements. 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 government units.

During the year ended June 30, 2018, the Charter adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement is required to be implemented as of June 30, 2018.

The implementation of these statement had a significant impact on the Charter because the activities of the Charter are affected by the statement in a material manner.

A. Financial Reporting Entity

In evaluating how to define the Charter, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, No. 61 and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Charter has no component units.

B. Government-wide and fund financial statements

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

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Charter's net position are reported in three parts – Net investment in capital assets, restricted net position; and unrestricted net position.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, state equalization, and other items not properly included among program revenues are reported instead as *general revenues*.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion.

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

The Charter reports the following major governmental funds:

The *General Fund* (11000 and 14000) is the Charter's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by the Charter's school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the school except for those items included in other funds.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The *TANF/GRADS (25162)* fund is used to account 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. Authorized by the Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193. This fund was created by state grant provisions.

Additionally, the Charter reports the following Fiduciary funds:

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

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

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

D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity

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

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

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity (Continued)

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The Charter receives monthly income from a tax levy in Luna County. The funds are collected by the County Treasurer and are remitted to the Charter the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2018 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2018. Period of availability is deemed to be sixty days subsequent to year end.

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

Inventory: The Charter's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Charter's policies as assets with an initial, individual cost of more than \$5,000 (amount not rounded) per Section 12-6-10 NMSA 1978 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). The Charter was a Phase II government for purposes of implementing GASB Statement No. 34 however, the Charter does not have any infrastructure assets to report.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity (Continued)

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

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

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

<u>Assets</u>	<u>Years</u>
Building improvements	7-30 years
Equipment	5-20 years
Furniture & Fixtures	20 years

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The Charter has one type of item which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue - grants, is reported only in the governmental funds balance sheet.

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Charter has recorded \$36,208 related to grant revenues considered "unavailable." In addition, the Charter has three types of items present on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the items, changes in proportion of \$96,691, net difference between projected and actual investments earnings of \$517 and difference between expected and actual experience of \$58,093 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity (Continued)

In addition, the Charter has three types of items present on the Statement of Net Position which arise due to the implementation of GASB Statement No. 75 and the related post-employment benefit liability. Accordingly, the items, changes in assumptions of \$181,834, net difference between projected and actual investments earnings of \$14,961 and differences between expected and actual experience of \$39,910, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Charter has four types of items that qualify for reporting in this category. Accordingly, the items, changes in proportion of \$404,800, changes of assumptions of \$1,100,771, differences between expected and actual experience of \$6,769, and employer contributions subsequent to measurement date in the amount of \$127,958, are reported on the Statement of Net Position. These amounts are deferred and recognized as outflows of resources in future periods. Additionally, the Charter has one item that qualifies for reporting in this category due to the implementation of GASB Statement No. 75 and the related post-employment benefit liability. Accordingly, the item employer contributions subsequent to measurement date of \$17,833, is reported on the Statement of Net Position. The amount is deferred and recognized as outflows of resources in future periods.

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.

Post-employment: For purposes of measuring the post-employment liability, deferred outflows of resources and deferred inflows of resources related to post-employment, and post-employment expense, information about the fiduciary net position of the Retiree Health Care Act (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, 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.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity (Continued)

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

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

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

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

Nonspendable Fund Balance: At June 30, 2018, the Charter did not have fund balance in nonspendable form.

Restricted and Committed Fund Balance: At June 30, 2018, the restricted fund balance on the governmental funds balance sheet is made up of \$15,295 for instructional materials and education to the students of the Charter.

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

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity (Continued)

- b. Restricted Net Position: Net position is reported as restricted when constraints are placed on the use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for “special revenue, capital projects, and debt service” are described on pages 29 and 73.
- c. Unrestricted Net Position: Net position that does not meet the definition of “Restricted” or “Net Investment in Capital Assets.”

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

E. Revenues

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

A school Charter’s program costs are determined through the use of various formulas using ‘program units’ which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The Charter received \$1,706,379 in state equalization guarantee distributions during the year ended June 30, 2018.

Instructional Materials: The Public Education Department (Department) receives federal mineral leasing funds from which it makes annual allocations to the various school Charters for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education “State Adopted Instructional Material” list, while thirty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled \$5,032.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues (Continued)

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

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

The Charter received \$90,301 of Public School Capital Outlay matching during the year ended June 30, 2018.

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 operates under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Public Education Department). The various budgets are approved by the local School Board and the New Mexico Public Education Department.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

These budgets are prepared on the modified cash basis with payroll or held checks being accrued and expensed, therefore, fund balances on the budget statements do not reconcile to cash due to the Charter's accrued payroll, which is presented on the accrual basis.

Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as restricted fund balance.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

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

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

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

1. In April or May, the local school board submits to the Charter Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school Charter for the ensuing fiscal year.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the Charter until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The 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 DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school Charter and approved by the DBPU.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the original budget and the final budget.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

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

The appropriated budget for the year ended June 30, 2018, was properly amended by the Charter's Board of Education throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (338,036)	\$ (502,001)
TANF/GRADS	\$ (31,936)	\$ (31,936)
Other Governmental Funds	\$ (1,726)	\$ (1,726)

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

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 3: DEPOSITS

Section 22-8-40, NMSA 1978 authorizes the investment of Charter funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Charter properly followed State investment requirements as of June 30, 2018.

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 collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance. The collateral pledged is listed on Schedule of Collateral Pledged by Depository for Public Funds in 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.

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

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

All of the Charter's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 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.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Charter's deposits may not be returned to it. The Charter 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, 2018, \$492,019 of the Charter's bank balance of \$742,019 was exposed to custodial credit risk. \$254,863 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the Charter's name, and \$237,156 was uninsured and uncollateralized.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

NOTE 3: DEPOSITS (Continued)

	First New Mexico Bank	Total
Amount of deposits	\$ 742,019	\$ 742,019
FDIC Coverage	(250,000)	(250,000)
Total uninsured public funds	492,019	492,019
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the School's name	254,863	254,863
Uninsured and uncollateralized	\$ 237,156	\$ 237,156
Collateral requirement (50% of uninsured funds)	\$ 246,010	\$ 246,010
Pledged Collateral	254,863	254,863
Over (Under) collateralized	\$ 8,853	\$ 8,853

The collateral pledged is listed in the Schedule of Collateral Pledged by Depository for Public Funds 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, School Charter or political subdivision of the State of New Mexico.

The Charter utilizes internal pooled accounts for some of their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheet as of June 30, 2018. The following individual funds had negative cash balances as of June 30, 2018:

24101	Title I IASA	\$	8,469
31200	Public School Capital Outlay		90,301
31700	SB-9 Capital Outlay		18,703
Total		\$	117,473

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 3: DEPOSITS (Continued)

Reconciliation to the Statement of Net Position

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

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents	\$	699,132
Agency funds cash		4,224
<hr/>		
Total cash and cash equivalents		703,356
<hr/>		
Add: outstanding checks		38,663
<hr/>		
Bank balance of deposits	\$	<u>742,019</u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, are as follows:

	General Fund	Other Governmental Funds	Total
Due from primary government	\$ 13,414	\$ -	\$ 13,414
Intergovernmental-grants:			
Federal	-	121,914	121,914
<hr/>			
Totals by category	\$ 13,414	\$ 121,914	\$ 135,328

The above receivables are deemed 100% collectible.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Charter records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. The composition of interfund balances during the year ended June 30, 2018 is as follows:

	Due to	Due from
Governmental Activities:		
General Fund	\$ -	\$ 117,473
Title I IASA	8,469	-
Public School Capital Outlay	90,301	-
SB-9 Capital Outlay	18,703	-
Total Interfund Transfers	\$ 117,473	\$ 117,473

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

The Charter did not have any operating transfers during the year end June 30, 2018.

NOTE 6: CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and construction in progress are not subject to depreciation.

Capital assets, net of accumulated depreciation, at June 30, 2018 appear in the Statement of Net Position as follows:

Governmental activities:	Balance			Balance
	June 30, 2017	Additions	Deletions	June 30, 2018
Capital assets being depreciated:				
Buildings and improvements	\$ 510,514	\$ -	\$ -	\$ 510,514
Furniture and equipment	155,435	-	-	155,435
Total capital assets being depreciated	665,949	-	-	665,949
Less accumulated depreciation:				
Buildings and improvements	(53,520)	(13,090)	-	(66,610)
Furniture and equipment	(114,117)	(10,957)	-	(125,074)
Total accumulated depreciation	(167,637)	(24,047)	-	(191,684)
Total capital assets, net of depreciation	\$ 498,312	\$ (24,047)	\$ -	\$ 474,265

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 6: CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2018 was charged to the following function:

Governmental Activities		
Support services - school administration	\$	1,079
Operation and maintenance of plant		22,968
<hr/>		
Total	\$	24,047
<hr/>		

NOTE 7: RISK MANAGEMENT

The Charter is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error omissions; and natural disasters, for which the Charter is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The 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 NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$15,000 deductible per occurrence with a maximum annual deductible of \$60,000. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the Charter, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2018, there have been no claims that have exceeded insurance coverage.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

NOTE 8: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

General Information about the Pension Plan

Plan description. ERB was created by the state’s Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees’ Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state’s public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

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

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

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member’s age and earned service credit add up to the sum 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.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 8: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

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

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

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

Contributions. The contribution requirements of plan members and the Charter are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2018 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, 2018 employers contributed 13.90%, and employees earning 20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 continued contributing at an amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Charter were \$127,958 for the year ended June 30, 2018.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

NOTE 8: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2017. At June 30, 2018, the Charter reported a liability of \$3,770,800 for its proportionate share of the net pension liability. The Charter’s proportion of the net pension liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2017. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2017, the Charter’s proportion was .03393 percent, which was an increase of 0.00394 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Charter recognized pension expense of \$726,552.

At the June 30, 2018, the Charter reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 404,800	\$ 96,691
Changes of assumptions	1,100,771	-
Differences between expected and actual experience	6,769	58,093
Net difference between projected and actual earnings on pension plan investments	-	517
Charter's contributions subsequent to the measurement date	127,958	-
Total	\$ 1,640,298	\$ 155,301

\$127,958 reported as deferred outflows of resources related to pensions resulting from Charter contributions subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

NOTE 8: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 495,122
2019	590,160
2020	302,806
2021	(31,049)
2022	-
Thereafter	-

Actuarial assumptions. The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2015. The total pension liability was rolled forward from the valuation date to the Plan's year ending June 30, 2016 using generally accepted actuarial principles. The liabilities reflect the impact of Senate Bill 115, signed into law March 29, 2013 and new assumptions adopted by the 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, 2016 and 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 Board on June 12, 2015 in conjunction with the six year experience study period ending June 30, 2014.
5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 8: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

The actuarial methods and assumptions used to determine contributions 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 Increase	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	Healthy males: RP-2000 Combined Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table's base year of 2012.

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. ERB's investment allocation policy was reviewed and amended by the Board of Trustees on August 26, 2016.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 8: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocation policy adopted on August 26, 2016, as well as the prior allocation policy targets.

Comparative Schedule of Target Investment Allocation

Asset Class	Target Allocation	
	After 8/26/2016	Prior to 8/26/2016
Equities		
<i>Domestic Equities</i>		
Large cap equities	16%	18%
Small- mid cap equities	3%	2%
<i>Total domestic</i>	19%	20%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	9%	10%
<i>Total international</i>	14%	15%
Total equities	33%	35%
Fixed Income		
Opportunistic credit	18%	20%
Core bonds	6%	6%
Emerging market debt	2%	2%
Total fixed income	26%	28%
Alternatives		
Real estate - REITS	7%	7%
Real assets	8%	8%
Private equity	13%	11%
Global asset allocation	4%	5%
Risk parity	3%	5%
Other	5%	0%
Total alternatives	40%	36%
Cash	1%	1%
Total	55%	52%

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

NOTE 8: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

For the years ended June 30, 2017 and 2016, the annual money-weighted rates of return on pension plan investments were 3.56% and 2.68%, respectively.

Discount rate: A single discount rate of 5.90% was used to measure the total ERB pension liability as of June 30, 2017. This discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.56%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to project benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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 2017. In particular, the table presents the (employer’s) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.90%) or one percentage point higher (6.90%) than the single discount rate.

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
District's proportionate share of the net pension liability	\$ 4,908,644	\$ 3,770,800	\$ 2,840,705

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued audited financial statements as of and for the year ended June 30, 2017, which is 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, 2018, the Charter owed the ERB \$31,860 for the contributions withheld in the month of June 2018.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO RETIREE HEALTH CARE FUND

General Information about the Other Post-Employment Benefits Plan

Plan Description. Substantially all of the Charter's full-time employees are provided with other post-employment benefits (OPEB) through the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was created by the state's Retiree Health Care Act, Section 10-7C-1 through 10-7C-16, NMSA 1978, as amended, to administer the New Mexico Retiree Health Care Fund (Plan). The Plan is a cost-sharing, multiple employer defined benefit healthcare plan established to provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico.

The purpose is to provide eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the retiree health care fund and by co-payments or out-of-pocket payments of eligible retirees.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during the period of time made contributions as a participant in plan on the person's behalf, unless that person retires before the employer's effective date, in which event the time period required for employee and employer contributions shall become

the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Benefits provided. The Act authorizes the NMRHCA 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 (\$5) if the eligible participant retired prior to the employer's 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 NMRHCA or viewed on their website at www.nmrhca.state.nm.us.

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO RETIREE HEALTH CARE FUND
(Continued)

The Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C- 5(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, 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 Act.

The Charter's contributions to the plan for the year ended June 30, 2018 totaled \$17,833, which equals the required contributions for the year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2018, the Charter reported a liability of \$1,040,019 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Charter's proportion of the net OPEB liability was based on a projection of the Charter's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Charter's proportion was .02295 percent.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO RETIREE HEALTH CARE FUND
(Continued)

For the year ended June 30, 2018, the Charter recognized OPEB expense of \$41,349. At June 30, 2018, the Charter reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ -
Changes of assumptions	-	181,834
Differences between expected and actual experience	-	39,910
Net difference between projected and actual earnings on pension plan investments	-	14,961
Charter's contributions subsequent to the measurement date	17,833	-
Total	\$ 17,833	\$ 236,705

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO RETIREE HEALTH CARE FUND
(Continued)**

\$17,833 reported as deferred outflows of resources related to OPEB resulting from the Charter's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	\$ (50,325)
2020	(50,325)
2021	(50,325)
2022	(50,325)
2023	(35,405)

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB member, 2.25% for PERA members
Projected payroll increase	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Mortality Tables with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO RETIREE HEALTH CARE FUND
(Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

Comparative Schedule of Target Investment Allocation

Asset Class	Target Allocation	Long-Term
U.S. core fixed income	20%	4.1%
U.S. equity - large cap	20%	9.1%
Non U.S. - emerging markets	15%	12.2%
Non U.S. - developed equities	12%	9.8%
Private equity	10%	13.8%
Credit and structured finance	10%	7.3%
Real estate	5%	6.9%
Absolute return	5%	6.1%
U.S. equity - small/mid cap	3%	9.1%

Discount rate. The discount rate used to measure the total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 3.81% is the blended discount rate.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018**

**NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO RETIREE HEALTH CARE FUND
(Continued)**

Basis for Allocation. The employers' proportionate share, reported in the Schedule of Employer Allocations, is calculated using employer contributions for employers that were members of NMRHCA as of June 30, 2017.

Sensitivity of the Charter's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Charter's proportionate share of the net OPEB liability, as well as what the Charter's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
Charter's proportionate share of the OPEB liability	\$ 1,261,527	\$ 1,040,019	\$ 866,226

The following presents the net OPEB Liability of NMRHCA as of June 30, 2017, as well as what the Fund's net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	1% Decrease	Current Trend Rate	1% Increase
Charter's proportionate share of the OPEB liability	\$ 884,608	\$ 1,040,019	\$ 1,161,201

OPEB plan fiduciary net position. Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of OPEB Amounts by Employer, including the disclosure of the net OPEB liability and the unmodified audit opinion on the financial statements, is located in the New Mexico Retiree Health Care Authority financial statements for the fiscal year ended June 30, 2017. Additional financial information is available at www.nmrhca.state.nm.us or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Payables to the Pension Plan. The NMRHCA requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2018, the Charter recorded a payable to NMRHCA in the amount of \$3,673 for the contributions withheld in the month of June, 2018, which is included in the Accrued Liabilities on the Statement of Net Position.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 10: CONTINGENT LIABILITIES

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

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

NOTE 11: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. Deficit fund balance of individual funds. The Charter had the following fund that maintained a deficit fund balance at June 30, 2018:

Nonmajor Fund

Fund 29107 City/County Grants	\$	129
-------------------------------	----	-----

- B. Excess of expenditures over appropriations. The Charter had the funds with excess of expenditures over appropriations for the year ended June 30, 2018:

Fund 24101 Title I IASA - Instruction	\$	12,408
Fund 31200 Public School Capital Outlay - Capital Outlay		90,301
Total Governmental Funds	\$	102,709

- C. Designated cash appropriations in excess of available balance. The Charter had no funds with designated cash appropriations in excess of available balances for the year ended June 30, 2018.

NOTE 12: CONCENTRATIONS

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 13: COMMITMENTS

The Charter had no ongoing construction projects as of the year ended June 30, 2018.

NOTE 14: DEFERRED COMPENSATION PLAN

The Charter offers its employees a deferred compensation plan created in accordance with Internal Revenue code Section 403(b). The plan, available to all Charter employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets and income of the plan are held in trust of the exclusive benefit of the participants and their beneficiaries.

NOTE 15: RESTRICTED NET POSITION

The government-wide statement of net position reports \$1,386 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related restrictions for net position restricted for special revenue see pages 29 and 73.

NOTE 16: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 15, 2018, which is the date on which the financial statements were issued.

The Charter entered into a legal settlement in the amount of \$65,559. The settlement was paid on November 5, 2018.

NOTE 17: NET POSITION RESTATEMENT

The Charter has a prior period adjustment of \$1,235,375 due to the implementation of GASB Statement No. 75 and the related post-employment benefit liability. See Note 9 for more information.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2018

NOTE 18: SUBSEQUENT PRONOUNCEMENTS

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Charter is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Charter is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Charter is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Charter is still evaluating how this pronouncement will affect the financial statements.

In August 2018, GASB Statement No. 90 *Accounting for Majority Equity Interest* was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Charter is still evaluating how this pronouncement will affect the financial statements.

Required Supplementary Information

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Proportionate Share of the Net Pension Liability
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years***

	Measurement Date (As of and for the Year Ended June 30, 2017)	Measurement Date (As of and for the Year Ended June 30, 2016)
Deming Public Schools proportion of the net pension liability (asset)	0.03393%	0.02999%
Deming Public Schools proportionate share of the net pension liability (asset)	\$ 3,770,800	\$ 2,158,210
Deming Public Schools covered-employee payroll	\$ 966,178	\$ 1,173,986
Deming Public Schools proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	390%	184%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	63.97%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Deming Public Schools will present information for those years for which information is available.

*See independent auditors' report.
See notes to required supplementary information.*

Measurement Date (As of and for the Year Ended June 30, 2015)	Measurement Date (As of and for the Year Ended June 30, 2014)
0.02286%	0.0294%
\$ 1,480,695	\$ 1,676,905
\$ 649,885	\$ 1,412,787
228%	119%
63.97%	66.34%

*See independent auditors' report.
See notes to required supplementary information.*

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years***

	As of and for the Year Ended June 30, 2018	As of and for the Year Ended June 30, 2017
Contractually required contribution	\$ 127,848	\$ 134,299
Contributions in relation to the contractually required contributor	127,848	134,299
Contribution deficiency (excess)	\$ -	\$ -
Deming Public Schools covered-employee payroll	\$ 919,771	\$ 966,178
Contribution as a percentage of covered-employee payroll	13.90%	13.90%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Deming Public Schools will present information for those years for which information is available.

*See independent auditors' report.
See notes to required supplementary information.*

As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 163,184	\$ 90,334
<u>163,184</u>	<u>90,334</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,173,986	\$ 649,885
13.90%	13.90%

*See independent auditors' report.
See notes to required supplementary information.*

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to Required Supplementary Information
Educational Retirement Board (ERB) Pension Plan
June 30, 2018**

Changes of benefit terms.

The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure Pension Plan – Educational Retirement Board, General Information on the Pension Plan.

Changes of assumptions.

The change for the fiscal year ending June 30, 2017 includes the impact of the new assumptions adopted by the Board on April 21, 2017 as well as the change in the single discount rate between June 30, 2016 and June 30, 2017.

Assumption changes increased the Education Retirement Board's total pension liability by \$3,244,239,775 for fiscal year ending June 30, 2017 as a result of the changes of assumptions described above.

See independent auditors' report.

THIS PAGE INTENTIONALLY LEFT BLANK

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Employer's Proportionate Share of the Net OPEB Liability of
New Mexico Retiree Health Care Act Plan
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years***

	2018 Measurement Date (As of and for the Year Ended June 30, 2017)
Deming Cesar Chavez Charter High School's proportion of the net OPEB liability	0.02295%
Deming Cesar Chavez Charter High School's proportionate share of the net OPEB liability	\$ 1,040,019
Deming Cesar Chavez Charter High School's covered-employee payroll	\$ 956,016
Deming Cesar Chavez Charter High School's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

*See independent auditors' report.
See notes to required supplementary information.*

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Employer Contributions
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years***

		As of and for the Year Ended June 30, 2018
Contractually required contributions	\$	18,562
Contributions in relation to the contractually required contribution		(18,562)
Contribution deficiency (excess)	\$	-
Deming Public Schools' covered-employee payroll	\$	928,085
Contributions as a percentage of covered-employee payroll		2.00%

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

*See independent auditors' report.
See notes to required supplementary information.*

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to Required Supplementary Information
New Mexico Retiree Health Care Authority (NMRHCA) Plan
June 30, 2018**

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY17 audit available at http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM_RHCA_Audited_FS_6.30.17.pdf.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2017 report is available at http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NMRHCA_5507316_Final_per_Auditor_update_Final_Report_11.21.17.pdf. See the notes to the financial statements beginning on page 24 which summarizes actuarial assumptions and methods effective with the June 30, 2017 valuation.

See independent auditors' report.

Supplementary Information

THIS PAGE INTENTIONALLY LEFT BLANK

Nonmajor Governmental Funds

THIS PAGE INTENTIONALLY LEFT BLANK

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2018**

SPECIAL REVENUE FUNDS

Title I- IASA (24101) - To provide supplemental educational opportunity for academically disadvantaged children residing in the area. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Public Education Department. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

Entitlement IDEA-B (24106) - To account for a program funded by a Federal grant to assist the District 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.

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.

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

City/County Grants (29107) – To provide support for a health education program within the school and to provide workbooks, materials for educational demonstrations and funds to support nutrition -focused event for the school.

CAPITAL PROJECTS FUND

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

Capital Improvements SB-9 – State (31700) – To account for resources received through Senate Bill 9 and local tax levies obtained from the purpose of building, remodeling, and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018**

	Title I IASA 24101	Entitlement IDEA-B 24106	Microsoft Settlement Funds 26170
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 1,727
Receivables:			
Due from other governments	12,910	-	-
Total assets	\$ 12,910	\$ -	\$ 1,727
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 9	\$ -	-
Accrued payroll	4,432	-	-
Due to other funds	8,469	-	-
Total liabilities	12,910	-	-
Deferred inflows of resources			
Unavailable revenue - grants	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances			
Spendable			
Restricted for:			
Education	-	-	1,727
Unassigned	-	-	-
Total fund balances	-	-	1,727
Total liabilities, deferred inflows of resources, and fund balances	\$ 12,910	\$ -	\$ 1,727

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

Beginning Teacher Mentoring Program 27154	City/County Grants 29107	Public School Capital Outlay 31200	Capital Improvements SB-9 State 31700	Total Nonmajor Governmental Funds
\$ 4,271	\$ 64	\$ -	\$ -	\$ 6,062
-	-	90,301	18,703	121,914
<u>\$ 4,271</u>	<u>\$ 64</u>	<u>\$ 90,301</u>	<u>\$ 18,703</u>	<u>\$ 127,976</u>
\$ -	\$ -	\$ -	\$ -	\$ 9
-	193	-	-	4,625
-	-	90,301	18,703	117,473
-	193	90,301	18,703	122,107
4,271	-	-	-	4,271
4,271	-	-	-	4,271
-	-	-	-	1,727
-	(129)	-	-	(129)
-	(129)	-	-	1,598
<u>\$ 4,271</u>	<u>\$ 64</u>	<u>\$ 90,301</u>	<u>\$ 18,703</u>	<u>\$ 127,976</u>

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

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

	Title I IASA 24101	Entitlement IDEA-B 24106	Microsoft Settlement Funds 26170
Revenues			
Intergovernmental revenue:			
Federal flowthrough	\$ 69,268	\$ 40,432	\$ -
Local sources	-	-	-
State flowthrough	-	-	-
State direct	-	-	-
Total revenues	69,268	40,432	-
Expenditures			
Current:			
Instruction	69,268	40,432	-
Operation and maintenance of plant	-	-	-
Total expenditures	69,268	40,432	-
Excess (deficiency) of revenues over expenditures	-	-	-
Net change in fund balances	-	-	-
Fund balances - beginning of year	-	-	1,727
Fund balances - end of year	\$ -	\$ -	\$ 1,727

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

Beginning Teacher Mentoring Program 27154	City/County Grants 29107	Public School Capital Outlay 31200	Capital Improvements SB-9 State 31700	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 109,700
-	15,000	-	-	15,000
-	-	-	18,703	18,703
-	-	90,301	-	90,301
-	15,000	90,301	18,703	233,704
-	-	-	-	109,700
-	14,936	90,301	18,703	123,940
-	14,936	90,301	18,703	233,640
-	64	-	-	64
-	64	-	-	64
-	(193)	-	-	1,534
\$ -	\$ (129)	\$ -	\$ -	\$ 1,598

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

THIS PAGE INTENTIONALLY LEFT BLANK

General Fund

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Combining Balance Sheet
General Fund
June 30, 2018**

	Operating 11000	Instructional Materials 14000	Total
Assets			
Cash and cash equivalents	\$ 647,565	\$ 13,568	\$ 661,133
Receivables:			
Due from other governments	13,414	-	13,414
Due from other funds	117,473	-	117,473
Total assets	\$ 778,452	\$ 13,568	\$ 792,020
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 9,141	\$ -	\$ 9,141
Accrued payroll	60,058	-	60,058
Total liabilities	69,199	-	69,199
Deferred inflows of resources			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances			
Spendable:			
Restricted for:			
Instructional materials	-	13,568	13,568
Unassigned	709,253	-	709,253
Total fund balances	709,253	13,568	722,821
Total liabilities, deferred inflows of resources, and fund balances	\$ 778,452	\$ 13,568	\$ 792,020

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2018

	Operating 11000	Instructional Materials 14000	Total
Revenues			
Intergovernmental revenue			
State direct	\$ 1,706,379	\$ 5,032	\$ 1,711,411
Investment income	41,984	-	41,984
Total revenues	1,748,363	5,032	1,753,395
Expenditures			
Current			
Instruction	675,792	4,232	680,024
Support services - students	179,438	-	179,438
Support services - general administration	224,964	-	224,964
Support services - school administration	203,732	-	203,732
Central services	124,187	-	124,187
Operation and maintenance plant	197,076	-	197,076
Total expenditures	1,605,189	4,232	1,609,421
Excess (deficiency) of revenues over expenditures	143,174	800	143,974
Net change in fund balances	143,174	800	143,974
Fund balances - beginning of year	566,079	12,768	578,847
Fund balances - end of year	\$ 709,253	\$ 13,568	\$ 722,821

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Operating Fund (11000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
				<u>Final to Actual</u>
Revenues				
Intergovernmental revenue				
State direct	\$ 1,496,583	\$ 1,706,653	\$ 1,692,965	\$ (13,688)
Investment income	3,000	3,000	41,984	38,984
Total revenues	1,499,583	1,709,653	1,734,949	25,296
Expenditures				
Current				
Instruction	789,896	983,649	681,561	302,088
Support services - students	200,600	203,700	179,438	24,262
Support services - general administration	267,325	303,425	224,573	78,852
Support services - school administration	209,706	238,706	201,118	37,588
Central services	135,100	135,100	124,187	10,913
Operation and maintenance of plant	224,400	336,482	197,303	139,179
Total expenditures	1,827,027	2,201,062	1,608,180	592,882
Excess (deficiency) of revenues over expenditures	(327,444)	(491,409)	126,769	618,178
Other financing sources (uses)				
Designated cash balance (budgeted increase in cash)	327,444	491,409	-	(491,409)
Total other financing sources (uses)	327,444	491,409	-	(491,409)
Net change in fund balance	-	-	126,769	126,769
Fund balance - beginning of year	-	-	636,301	636,301
Fund balance - end of year	\$ -	\$ -	\$ 763,070	\$ 763,070
Net change in fund balance (Non-GAAP Budgetary Basis)			\$	126,769
Adjustments to revenues for taxes and intergovernmental revenue				13,414
Adjustments to expenditures for supplies and payroll expenditures				2,991
Net change in fund balance (GAAP Basis)			\$	143,174

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

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Instructional Materials Fund (14000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
Revenues				
Intergovernmental revenue				
State direct	\$ 3,763	\$ 3,763	\$ 5,032	\$ 1,269
Total revenues	3,763	3,763	5,032	1,269
Expenditures				
Current				
Instruction	14,355	14,355	4,232	10,123
Total expenditures	14,355	14,355	4,232	10,123
Excess (deficiency) of revenues over expenditures	(10,592)	(10,592)	800	11,392
Other financing sources (uses)				
Designated cash balance (budgeted increase in cash)	10,592	10,592	-	(10,592)
Total other financing sources (uses)	10,592	10,592	-	(10,592)
Net change in fund balance	-	-	800	800
Fund balance - beginning of year	-	-	12,768	12,768
Fund balance - end of year	\$ -	\$ -	\$ 13,568	\$ 13,568
Net change in fund balance (Non-GAAP Budgetary Basis)			\$	800
No adjustments to revenues or expenditures				-
Net change in fund balance (GAAP Basis)			\$	800

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

THIS PAGE INTENTIONALLY LEFT BLANK

Supporting Schedules

THIS PAGE INTENTIONALLY LEFT BLANK

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Deposits
June 30, 2018**

<u>Bank Account Type/ Name</u>	<u>First New Mexico Bank</u>
Operational - Checking	\$ 742,019
Total	742,019
Reconciling items	(38,663)
Reconciled balance June 30, 2018	703,356
Less: agency cash	(4,224)
Cash and cash equivalents	\$ 699,132

See independent auditors' report.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Cash Reconciliation
For the Year Ended June 30, 2018**

	Operational 11000	Instructional Materials 14000	Non- Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000
PED cash					
June 30, 2017	\$ 569,517	\$ 12,768	\$ -	\$ (82,104)	\$ 31,937
Add:					
2017-2018 receipts	1,734,949	5,032	-	178,918	-
Repayment of loans	59,495	-	-	4,629	-
Total cash available	2,363,961	17,800	-	101,443	31,937
Less:					
2017-2018 expenditures	(1,607,393)	(4,232)	-	(101,443)	-
Loans to other funds	(109,004)	-	-	-	-
Cash per PED	647,564	13,568	-	-	31,937
Add:					
Audit Adjustment	1	-	4,224	-	-
Cash per financial statement	\$ 647,565	\$ 13,568	\$ 4,224	\$ -	\$ 31,937

See independent auditors' report.

	Local Grants 26000	State Flowthrough 27000	State Direct 29000	Public School Capital Outlay Account 31200	Capital Improvement SB-9 Account 31700	Total
\$	1,727	\$ 4,271	\$ (194)	\$ -	\$ -	\$ 537,922
	-	-	15,000	-	-	1,933,899
	-	-	194	-	-	64,318
	<u>1,727</u>	<u>4,271</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>2,536,139</u>
	-	-	(14,936)	(90,301)	(18,703)	(1,818,305)
	-	-	-	90,301	18,703	(18,703)
	<u>1,727</u>	<u>4,271</u>	<u>64</u>	<u>-</u>	<u>-</u>	<u>699,131</u>
	-	-	-	-	-	4,225
\$	<u>1,727</u>	\$ <u>4,271</u>	\$ <u>64</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>703,356</u>
	Cash balance above					703,356
	Less: agency cash per Statement of Fiduciary Assets and Liabilities					(4,224)
	<u>Cash and restricted cash per Statement of Net Position</u>					<u>\$ 699,132</u>

See independent auditors' report.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Collateral Pledged by Depository for Public Funds
For the Year Ended June 30, 2018**

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market June 30, 2018
First New Mexico Bank				
	Southern Sandoval NM Flood Control	8/1/2021	843789EH7	\$ 254,863
Total First New Mexico Bank				254,863
Name and location of safekeeper for above pledged collateral: The Independent Banker's Bank - Dallas, Texas				
Total pledged collateral				\$ 254,863

See independent auditors' report.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2018

	July 1, 2017		Additions		Deletions		June 30, 2018
Assets							
Cash	\$ 3,500	\$	724	\$	-	\$	4,224
Total assets	\$ 3,500	\$	724	\$	-	\$	4,224
Liabilities							
Deposits held for other	\$ 3,500	\$	724	\$	-	\$	4,224
Total liabilities	\$ 3,500	\$	724	\$	-	\$	4,224

See independent auditors' report.

THIS PAGE INTENTIONALLY LEFT BLANK

Compliance Section

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

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor and
The Governing Council
Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Office of Management and Budget
Deming, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue fund of Deming Cesar Chavez Charter High School (the "Charter") a component unit of Deming Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter'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 Charter's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items CU NM 2017-002, CU NM 2017-004, CU NM 2018-001, an CU NM 2018-002 for the Component Unit.

The Charter's Response to Findings

The Charter's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Charter'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 results of that testing, and not to provide an opinion on the effectiveness of the Charter'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 Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
November 15, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Findings and Responses
For the Year Ended June 30, 2018**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements? | None noted |

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Findings and Responses
For the Year Ended June 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

None Noted

SECTION III – SECTION 12-6-5 NMSA 1978 FINDINGS

CU NM 2017-002 Posting of Financial Reporting - Other Noncompliance (repeated and modified)

Condition: The Charter has not posted the fourth quarter 2018 financial reports on the Charter's website.

Progress on resolution of prior year finding: The charter's website is online and contains a financial reporting page containing all approved financial reports.

Criteria: Per NMSA 22-8-13.2. Financial reporting. (A) Each local superintendent or person in charge of the fiscal management of a charter school shall provide quarterly reports on the financial position of the school district or charter school, as applicable, to the local school board of the school district or the governing body of the charter school for use in reviewing the financial status of the school district or charter school. The department shall develop the forms to be used for the financial reporting required under this section. The forms shall provide for at least the following: (1) a report on the budget status of the local school district or charter school, including the approved operating budget for revenues and expenses compared with year-to-date actual revenue and expenses; (2) a statement of any budget adjustment requests; (3) cash reports, including revenue, expenses, temporary loans and cash balances for operational, state and federal grants, capital outlay and debt service funds; (4) voucher reports, including a list of issued warrants or checks; (5) reports listing procurement, travel or gas card expenses; and (6) investment reports. (B) School districts and charter schools shall post the reports required under Subsection A of this section on the school district's or charter school's web site.

Effect: There is a lack of transparency related to public information.

Cause: The Charter failed to ensure that fourth quarter 2018 financial reports were made available on the Charter's website.

Auditor Recommendation: We recommend that the Charter ensure that all of the required reports that are reviewed by the governing body be posted on the Charter's website once approved.

Management Response: The final financial reports for the 2017-18 school year have been posted to the charter's website.

Current Status/Plan of Action: All approved financial reports and check listing reports are on the charter's website.

Responsible Officials: Business Manager

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Findings and Responses
For the Year Ended June 30, 2018**

SECTION III – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

CU NM 2017-004 Travel and Per Diem – Other noncompliance (repeated and modified)

Condition: The Charter reimbursed employees without receiving receipts for “actual expenses” in the amount of \$90 in 4 out of 5 transaction tested.

Progress on resolution of prior year finding: The GSA rates are no longer being used for out-of-state travel.

Criteria: NMAC 6.20.2.19 requires the Charter to comply with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-4, for all per diem and reimbursement rates.

Effect: The Charter has overpaid monies for reimbursements using public funds and is not in compliance with the Per Diem and Mileage Act.

Cause: The Charter was unaware that per diem rate for lodging included meals and was reimbursing per diem rates for lodging plus the per diem rates for meals on each trip.

Auditors’ Recommendation: We recommend the Charter follow the Per Diem and Mileage Act when paying per diem and travel reimbursements.

Management Response: The Business Manager will ensure that Per Diem and Mileage Act is followed when reimbursements for travel are applicable. The Business Manager will ensure that receipts are maintained with any allowable reimbursement.

Current Status/Plan of Action: A new form will be implemented in January 2019 that specifies the requirements for travel reimbursement. Staff handling travel and Governing Council members will receive training on Per Diem and Mileage Act requirements.

Responsible Officials: Director, Business Manager, Administrative Assistant

CU NM 2018-001 Budgetary Conditions – Other noncompliance

Condition: The Charter has over expended its budget in the following funds:

Fund and Function	
Fund 24101 Title I IASA - Instruction	\$ 12,408
Fund 31200 Public School Capital Outlay - Capital Outlay	90,301
<hr/>	
Total Governmental Funds	\$ 102,709

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Findings and Responses
For the Year Ended June 30, 2018**

SECTION III – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

CU NM 2018-001 Budgetary Conditions – Other noncompliance (continued)

Criteria: NMAC 6.20.2.10 states that all Charter funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Public Education Department for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, 1978 Compilation.

Effect: The Charter had expenditures in two fund functions that were not properly budgeted.

Cause: The Charter did not request the budget adjustments at year-end to alleviate these budget overruns.

Auditors' Recommendations: We recommend that the Charter monitor its budgets closely and prepare budget adjustments as necessary.

Management Response: The Business Manager will work to ensure that budget adjustment requests are submitted and positioned to be approved by PED. The Business Manager will work closely with Deming Public Schools for appropriate BAR actions and budget items where Deming Public Schools is the flow-through agency.

Current Status/Plan of Action: The Business Manager has communicated with PSCOC related to the budget status and issues with BAR approval. By December 2018, the Business Manager will communicate with the Executive Director of Finance for Deming Public Schools to formalize a process for budget and BAR entry and approval.

Responsible Officials: Business Manager

CU NM 2018-002 – ERB Employee Reporting – Other noncompliance

Condition: The Charter did not report the correct social security for one employee during the completion of their monthly report to ERB during the year of the valuation of the Charter's net pension liability.

Criteria: Per 11-22-11 A NMSA 1978 Contributions shall be deducted from the salaries of members by the local administrative units as the salaries are paid. These contributions shall be forwarded monthly to the director for deposit in the fund.

Effect: The Charter did not report the correct social security number for an employee to ERB, which could result in errors in that employee's service credit with ERB.

Cause: The Charter's payroll department collected the proper forms from the employee at the beginning of employment, but the employee's social security number was incorrect in the Charter's ERB upload file for their first pay period.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Findings and Responses
For the Year Ended June 30, 2018**

SECTION III – SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

CU NM 2018-002 – ERB Employee Reporting – Other noncompliance (Continued)

Auditors' Recommendations: We recommend that the Charter implement procedures to ensure that new employee's information is correct in the ERB report beginning in the period that they first become eligible employees. A review of this file should occur and be documented via a signature before the file is uploaded to ERB.

Management Response: Resolution to the cited individual was finalized during thing 2017-18 school year. The Business Manager will verify all social security numbers entered by administrative staff upon placement into the payroll system.

Current Status/Plan of Action: Resolution to the cited individual was finalized during thing 2017-18 school year. Process and procedure for verification will begin December 2018.

Responsible Official: Business Manager

SECTION IV – PRIOR YEAR FINDINGS

CU FS 2017-001 Design Deficiencies in Internal Control (Significant Deficiency) – Resolved

CU NM 2016-006 Cash Disbursements (Other Noncompliance) - Resolved

CU NM 2017-001 Employee Contract Variance (Other Noncompliance) - Resolved

CU NM 2017-002 Posting of Financial Reporting (Other Noncompliance) – Repeated and modified

CU NM 2017-003 Cash Appropriations in Excess of Available Cash Balances (Other noncompliance) - Resolved

CU NM 2017-004 Travel and Per Diem (Other noncompliance) – Repeated and modified

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Other Disclosures
June 30, 2018

EXIT CONFERENCE

An exit conference was held on November 13, 2018. In attendance were the following:

Representing Deming Public Schools:

Arsenio Romero – Superintendent
Lesley Doyle – Executive Director of Finance
Joe Adcock - Controller
Bayne Anderson – Board Member
Matt Robinson – Board Member
Crystal Pena – Audit Committee Member
Terry Tufts – Audit committee member

Representing Deming Cesar Chavez High School Charter Schools:

Stan Lyons – Director
Chris Masters – Business Manager
Antoinette Zunich – Governing Council Member
Tony Guerrero – Governing Council Member

Representing Carr, Riggs & Ingram, LLC:

Ray Roberts, CPA – Partner-In-Charge of the Southwest Practice Unit
Vicki Dallas, CPA – Manager

AUDITOR PREPARED FINANCIAL STATEMENTS

Carr, Riggs & Ingram, LLC prepared the GAAP-basis financial statements and footnotes of Deming Cesar Chavez Charter High School, a component unit of Deming Public Schools from the original books and records provided to them by the management of the Charter. The responsibility for the financial statements remains with the Charter.