

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, 2019



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RIGGS &
INGRAM

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Introductory Section

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
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June 30, 2019

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**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Official Roster
June 30, 2019**

<u>Name</u>		<u>Title</u>
	<u>Governance Council</u>	
Tony Guerrero		President
Crystal Pena		Vice President
Neima Higuera		Treasurer
Antoinette Zurich		Secretary
Chris Brice		Member
	<u>School Officials</u>	
Stan Lyons		Director
Kayla Martinez		Assistant Director
Christopher Masters		Business Manager

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Financial Section

INDEPENDENT AUDITORS' REPORT

Brian S. Colón
New Mexico State Auditor and
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, 2019, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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, the aggregate remaining fund, and the budgetary comparisons for the General Fund and major special revenue funds information of Deming Cesar Chavez Charter High School (the "Charter"), a component unit of Deming Public Schools, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 66 through 74 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, Supporting Schedules required by 2.2.2 NMAC, and other disclosures 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 and other disclosures have 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, 2019, 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 Deming Cesar Chavez Charter High School's, a component unit of Deming Public Schools internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
November 15, 2019

Basic Financial Statements

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Statement of Net Position
June 30, 2019

		Primary Government Governmental Activities
Assets		
Current assets		
Cash and cash equivalents	\$	492,045
Due from other governments		75,393
Total current assets		567,438
Noncurrent assets		
Depreciable capital assets, net		450,218
Total noncurrent assets		450,218
Total assets		1,017,656
Deferred outflows of resources		
Changes in proportion		211,825
Changes of assumption		807,276
Differences between expected and actual experience		2,859
Net difference between projected and actual investment earnings on pension plan investments		8,671
Employer contributions subsequent to the measurement date		159,800
Total deferred outflows of resources		1,190,431
Total assets and deferred outflows of resources	\$	2,208,087

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

	Primary Government Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 3,242
Accrued payroll	25,080
Total current liabilities	28,322
Noncurrent liabilities	
Net OPEB liability	944,898
Net pension liability	3,917,004
Total noncurrent liabilities	4,861,902
Total liabilities	4,890,224
Deferred inflows of resources	
Unavailable revenue - grants	36,208
Changes in proportion	113,176
Changes of assumption	176,408
Differences between expected and actual experience	130,491
Net difference between projected and actual investments earnings on pension plan investments	11,792
Total deferred inflows of resources	468,075
Net position	
Net investment in capital assets	450,218
Restricted for:	
Special revenue	11,394
Unrestricted	(3,611,824)
Total net position	(3,150,212)
Total liabilities, deferred inflows of resources, and net position	\$ 2,208,087

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, 2019**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions
Primary government:		
Governmental activities:		
Instruction	\$ 1,165,632	\$ 47,722
Support services - students	262,068	10,729
Support services - general administration	331,527	13,573
Support services - school administration	308,529	12,631
Central services	173,389	7,099
Operation and maintenance of plant	431,937	17,683
Total governmental activities	\$ 2,673,082	\$ 109,437

General revenues

State equalization guarantee
Investment income

Total general revenues

Change in net position

Net position - beginning of year

Net position - end of year

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>	
\$	26,942	\$	(1,090,968)
	6,057		(245,282)
	7,663		(310,291)
	7,131		(288,767)
	4,008		(162,282)
	9,984		(404,270)
<hr/>		<hr/>	
\$	<u>61,785</u>		(2,501,860)
<hr/>		<hr/>	
			1,638,389
			59,269
<hr/>		<hr/>	
			1,697,658
<hr/>		<hr/>	
			(804,202)
<hr/>		<hr/>	
			(2,346,010)
<hr/>		<hr/>	
		\$	<u>(3,150,212)</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, 2019**

	General Fund 11000, 14000	TANF/ GRADS 25162	Public School Capital Outlay 31200
Assets			
Cash and cash equivalents	\$ 434,502	\$ 31,937	\$ -
Receivables:			
Due from other governments	-	-	61,785
Due from other funds	102,691	-	-
Total assets	\$ 537,193	\$ 31,937	\$ 61,785
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 3,233	\$ -	\$ -
Accrued payroll	22,609	-	-
Due to other funds	-	-	61,785
Total liabilities	25,842	-	61,785
Deferred inflows of resources			
Unavailable revenue - grants	-	31,937	-
Total deferred inflows of resources	-	31,937	-
Fund balances			
Restricted for:			
Instructional materials	13,922	-	-
Education	-	-	-
Committed for:			
Subsequent year's expenditures	347,622	-	-
Unassigned	149,807	-	-
Total fund balances	511,351	-	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 537,193	\$ 31,937	\$ 61,785

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

	Capital Improvements SB-9 State 31700	Total Nonmajor Governmental Funds	Total
\$	-	\$ 25,606	\$ 492,045
	-	13,608	75,393
	-	-	102,691
\$	-	\$ 39,214	\$ 670,129
\$	-	\$ 9	\$ 3,242
	-	2,471	25,080
	20,208	20,698	102,691
	20,208	23,178	131,013
	-	4,271	36,208
	-	4,271	36,208
	-	-	13,922
	-	11,765	11,765
	-	-	347,622
	(20,208)	-	129,599
	(20,208)	11,765	502,908
\$	-	\$ 39,214	\$ 670,129

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

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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, 2019

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$	502,908
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds		450,218
Deferred outflows related to changes in proportion		211,825
Deferred outflows related to changes of assumption		807,276
Deferred outflows related to employer contribution subsequent to the measurement date		159,800
Deferred outflows of resources related to differences between expected and actual experience		2,859
Deferred outflows of resources related to the net difference between projected and actual investments on pension plan investments		8,671
Deferred inflows related to changes in proportion		(113,176)
Deferred inflows related to changes of assumption		(176,408)
Deferred inflows of resources related to differences between expected and actual experience		(130,491)
Deferred inflows of resources related to the net difference between projected and actual investments on pension plan investments		(11,792)
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		(3,917,004)
OPEB liability		(944,898)
Total net position - governmental funds	\$	(3,150,212)

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, 2019

	General Fund 11000, 14000	TANF/ GRADS 25162	Public School Capital Outlay 31200
Revenues			
Intergovernmental revenue:			
Federal flowthrough	\$ -	\$ -	\$ -
Local sources	-	-	-
State flowthrough	-	-	-
State direct	1,643,785	-	61,785
Investment income	59,269	-	-
Total revenues	1,703,054	-	61,785
Expenditures			
Current:			
Instruction	824,375	-	-
Support services - students	187,557	-	-
Support services - general administration	252,545	-	-
Support services - school administration	250,069	-	-
Central services	127,397	-	-
Operation and maintenance of plant	272,581	-	61,785
Total expenditures	1,914,524	-	61,785
Excess (deficiency) of revenues over expenditures	(211,470)	-	-
Net change in fund balances	(211,470)	-	-
Fund balances - beginning of year	722,821	-	-
Fund balances - end of year	\$ 511,351	\$ -	\$ -

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

	Capital Improvements SB-9 State 31700	Total Nonmajor Governmental Funds	Total
\$	-	\$ 65,433	\$ 65,433
	-	25,000	25,000
	-	-	-
	-	13,608	1,719,178
	-	-	59,269
	-	104,041	1,868,880
	-	67,068	891,443
	-	-	187,557
	-	-	252,545
	-	-	250,069
	-	-	127,397
	20,208	26,806	381,380
	20,208	93,874	2,090,391
	(20,208)	10,167	(221,511)
	(20,208)	10,167	(221,511)
	-	1,598	724,419
\$	(20,208)	\$ 11,765	\$ 502,908

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

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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, 2019

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

Net change in fund balances - total governmental funds	\$	(221,511)
<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		140,923
Charter OPEB contribution		18,877
Pension expense		(732,289)
OPEB expense		13,845
<hr/>		
Change in net position of governmental activities	\$	(804,202)
<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, 2019

	<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	\$ 1,627,674	\$ 1,627,674	\$ 1,657,199	\$ 29,525
Investment Income	3,256	3,256	59,269	56,013
Total revenues	1,630,930	1,630,930	1,716,468	85,538
Expenditures				
Current:				
Instruction	904,571	904,571	865,255	39,316
Support services - students	199,750	199,750	187,557	12,193
Support services - general administration	285,350	285,350	253,964	31,386
Support services - school administration	235,800	235,800	252,807	(17,007)
Central services	135,950	135,950	127,397	8,553
Operation and maintenance of plant	284,000	284,000	270,901	13,099
Total expenditures	2,045,421	2,045,421	1,957,881	87,540
Excess (deficiency) of revenues over expenditures	(414,491)	(414,491)	(241,413)	173,078
Other financing sources (uses)				
Designated cash (budgeted increase in cash)	414,491	414,491	-	(414,491)
Total other financing sources (uses)	414,491	414,491	-	(414,491)
Net change in fund balance	-	-	(241,413)	(241,413)
Fund balance - beginning of year	-	-	778,606	778,606
Fund balance - end of year	\$ -	\$ -	\$ 537,193	\$ 537,193
Net change in fund balance (Non-GAAP budgetary basis)				\$ (241,413)
Adjustments to revenues for taxes and intergovernmental revenue				(13,414)
Adjustments to expenditures for supplies and payroll expenditures				43,357
Net change in fund balance (GAAP Basis)				\$ (211,470)

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, 2019**

	<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	31,937	31,937	-	31,937
Total expenditures	31,937	31,937	-	31,937
Excess (deficiency) of revenues over expenditures	(31,937)	(31,937)	-	31,937
Other financing sources (uses)				
Designated cash balance (budgeted increase in cash)	31,937	31,937	-	(31,937)
Total other financing sources (uses)	31,937	31,937	-	(31,937)
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	31,937	31,937
Fund balance - end of year	\$ -	\$ -	31,937	\$ 31,937
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.

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Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2019

Assets	
Current assets	
Cash and cash equivalents	\$ 4,012
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Total assets	\$ 4,012
<hr/>	
Liabilities	
Due to student organizations	\$ 4,012
<hr/>	
Total liabilities	\$ 4,012
<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, 2019

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, 2019, the Charter adopted GASB Statement No. 88 *Certain Discourses Related to Debt, including Direct Borrowing and Direct Placement* and GASB Statement No. 83, *Certain Asset Retirement Obligation*. These Statements were required to be implemented as of June 15, 2018. These statements did not materially impact the Charter's financial statements.

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, 2019

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, 2019

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, while not received in the current year, would be 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, if received, 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 had no tax abatements requiring separate disclosure under GASB Statement No. 77.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)*

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 state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the school except for those items included in other funds.

The General Fund includes the *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.

The *Public School Capital Outlay (31200)* fund is used to account for the state resources to provide reimbursement for rent facilities. Funding authority is the New Mexico Public Education Department.

The *Capital Improvements SB-9 – State (31700)* fund is used 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.

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.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

While the Charter does not currently receive monthly income from a tax levy in Luna County, the following would be applicable in the future if it started receiving income from a tax levy. The funds would be collected by the County Treasurer and 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 would be considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year. Period of availability is deemed to be sixty days subsequent to year end.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019**

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)

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, when applicable, 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 would consist 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.

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 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

Deming Cesar Chavez Charter High School
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Notes to the Financial Statements
June 30, 2019

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)

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 two 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 \$57,172 and difference between expected and actual experience of \$55,944 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.

In addition, the Charter has four 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 proportion of \$56,004 changes in assumptions of \$176,408, net difference between projected and actual investments earnings of \$11,792 and differences between expected and actual experience of \$74,547, 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
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Notes to the Financial Statements
June 30, 2019

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)

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 five types of items that qualify for reporting in this category. Accordingly, the items, changes in proportion of \$211,825, changes of assumptions of \$807,276, differences between expected and actual experience of \$2,859, net difference between projected and actual investment earnings of \$8,671 and employer contributions subsequent to measurement date in the amount of \$140,923, 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 \$18,877, 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.

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.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019

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)*

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 Governing Council.

For assigned fund balance, the Governing Council or an official or body to which the Charter's Governing Council 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, 2019, the Charter did not have fund balance in nonspendable form.

Restricted and Committed Fund Balance: At June 30, 2019, the restricted fund balance on the governmental funds balance sheet is made up of \$25,687 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, 2019

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 33-34 and 79.
- 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 \$1,638,389 in state equalization guarantee distributions during the year ended June 30, 2019.

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, 2019 totaled \$5,396.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019

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 \$61,785 of Public School Capital Outlay matching during the year ended June 30, 2019.

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.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

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

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

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

The 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.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

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.
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, 2019, 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	\$ (414,491)	\$ (414,491)
TANF/GRADS	(31,937)	(31,937)
Public School Capital Outlay	-	-
Capital Improvements SB-9 State	-	-
Other governmental funds	(1,727)	(1,727)

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

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.

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, 2019.

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.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 3: DEPOSITS (Continued)

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, 2019, \$305,334 of the Charter’s bank balance of \$555,334 was exposed to custodial credit risk. \$250,583 was uninsured and collateralized by collateral held by the pledging bank’s trust department not in the Charter’s name, and \$54,751 was uninsured and uncollateralized.

	First New Mexico Bank	Total
Amount of deposits	\$ 555,334	\$ 555,334
FDIC Coverage	(250,000)	(250,000)
Total uninsured public funds	305,334	305,334
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the School's name	250,583	250,583
Uninsured and uncollateralized	\$ 54,751	\$ 54,751
Collateral requirement (50% of uninsured funds)	\$ 152,667	\$ 152,667
Pledged collateral	250,583	250,583
Over (Under) collateralized	\$ 97,916	\$ 97,916

The collateral pledged is listed on 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, all bonds issued by any agency, District or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the State of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 3: DEPOSITS (Continued)

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, 2019. The following individual funds had negative cash balances as of June 30, 2019:

24101	Title I IASA	\$	8,254
28133	Youth Conservation Corp NMEMNR		12,444
31200	Public School Capital Outlay		61,785
31700	SB-9 Capital Outlay		20,208
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Total		\$	102,691
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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:

Cash and cash equivalents	\$	492,045
Agency funds cash		4,012
<hr/>		
Total cash and cash equivalents		496,057
<hr/>		
Add: outstanding checks		59,277
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Bank balance of deposits	\$	555,334
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NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, are as follows:

	Public School Capital Outlay 31200	Other Governmental Funds		Total
<hr/>				
Intergovernmental-grants:				
Federal	\$ 61,785	\$ 13,608	\$	75,393
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Totals by category	\$ 61,785	\$ 13,608	\$	75,393
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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, 2019

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, 2019 is as follows:

	Due To	Due From
Governmental activities:		
General Fund	\$ -	\$ 102,691
Title I IASA	8,254	-
Youth Conservation Corp NMEMNR	12,444	-
Public School Capital Outlay	61,785	-
SB-9 Capital Outlay	20,208	-
Total interfund transfers	\$ 102,691	\$ 102,691

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, 2019.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019

NOTE 6: CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019, 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, 2019 appear in the Statement of Net Position as follows:

Governmental activities:	Balance			Balance		
	June 30, 2018	Additions	Deletions	June 30, 2019		
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	(66,610)	(13,090)	-	(79,700)		
Furniture and equipment	(125,074)	(10,957)	-	(136,031)		
Total accumulated depreciation	(191,684)	(24,047)	-	(215,731)		
Total capital assets, net of depreciation	\$ 474,265	\$ (24,047)	\$ -	\$ 450,218		

Depreciation expense for the year ended June 30, 2019 was charged to the following function:

Governmental activities	
Support services - school administration	\$ 1,079
Operation and maintenance of plant	22,968
Total	\$ 24,047

Deming Cesar Chavez Charter High School
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June 30, 2019

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, 2019, there have been no claims that have exceeded insurance coverage.

NOTE 8: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

General Information about the Pension Plan

Plan description. The New Mexico Educational Retirement Act ("ERA") was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements: the member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55; the member's minimum age and earned service credit add up to the sum of 80 or more, those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits; the member's age is 67, and has earned 5 or more years of service credit.

Deming Cesar Chavez Charter High School
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NOTE 8: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (Continued)

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.

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 1.5%. 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 1.7%. 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.

Deming Cesar Chavez Charter High School
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Notes to the Financial Statements
June 30, 2019

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

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, 2019 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. Contributions to the pension plan from the Charter were \$140,923 for the year ended June 30, 2019.

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, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017. At June 30, 2019, the Charter reported a liability of \$3,917,004 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, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2018, the Charter's proportion was .03294 percent, which was an increase of 0.29547 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Charter recognized pension expense of \$732,289.

At the June 30, 2019, 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	\$ 211,825	\$ 57,172
Changes of assumptions	807,276	-
Differences between expected and actual experience	2,859	74,547
Net difference between projected and actual earnings on pension plan investments	8,671	-
Charter's contributions subsequent to the measurement date	140,923	-
Total	\$ 1,171,554	\$ 131,719

\$140,923 reported as deferred outflows of resources related to pensions resulting from Charter contributions subsequent to the measurement date of June 30, 2019, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

**Deming Cesar Chavez Charter High School
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Notes to the Financial Statements
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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:	
2019	\$ 599,555
2020	317,130
2021	(17,887)
2022	114
2023	-
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, 2017. The total pension liability was rolled forward from the valuation date to the Plan's year ending June 30, 2018 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 April 21, 2017. Specifically, the liabilities measured as of June 30, 2016 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 April 21, 2017 in conjunction with the six year experience study period ending June 30, 2016.
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
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Notes to the Financial Statements
June 30, 2019

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
Inflation	2.50%
Salary Increase	Composed of 2.50% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.25%
Retirement Age	Experience based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.
Mortality	<p>Healthy males: RP-2000 Combined Mortality Table with White Collar adjustments, no set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>Healthy females: GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p>

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
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Notes to the Financial Statements
June 30, 2019

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.

Comparative Schedule of Target Investment Allocation

Asset Class	Allocation	Policy Target
Equities		
<i>Domestic Equities</i>		
Large cap equities	16.60%	16.00%
Small- mid cap equities	3.20%	3.00%
<i>Total domestic</i>	19.80%	19.00%
<i>International Equities</i>		
Developed	4.90%	5.00%
Emerging markets	8.90%	9.00%
<i>Total international</i>	13.80%	14.00%
Total equities	33.60%	33.00%
Fixed Income		
Opportunistic credit	18.70%	18.00%
Core bonds	6.80%	6.00%
Emerging market debt	1.70%	2.00%
Total fixed income	27.20%	26.00%
Alternatives		
Real estate - REITS	2.00%	7.00%
Real assets	7.40%	8.00%
Private equity	13.00%	13.00%
Global asset allocation	4.90%	4.00%
Risk parity	5.20%	3.00%
Other	5.40%	5.00%
Total alternatives	37.90%	40.00%
Cash	1.30%	1.00%
Total	100.00%	100.00%

**Deming Cesar Chavez Charter High School
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Notes to the Financial Statements
June 30, 2019**

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

For the years ended June 30, 2018 the annual money-weighted rates of return on pension plan investments was 8.38%.

Discount rate: A single discount rate of 5.69% was used to measure the total ERB pension liability as of June 30, 2018. This discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.62%. 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 2050. As a result, the long-term expected rate of return on pension plan investments was applied to project benefit payments through the 2050 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 2018. 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 (4.69%) or one percentage point higher (6.69%) than the single discount rate.

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
District's proportionate share of the net pension liability	\$ 5,090,606	\$ 3,917,004	\$ 2,959,419

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, 2018, 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, 2019, the Charter owed the ERB \$767 for the contributions withheld in the month of June 2019.

**Deming Cesar Chavez Charter High School
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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.

Deming Cesar Chavez Charter High School
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June 30, 2019

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

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.

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, 2019, 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, 2019, 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, 2019 totaled \$18,877, 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, 2019, the Charter reported a liability of \$944,898 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018, the Charter's proportion was .02173 percent.

Deming Cesar Chavez Charter High School
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Notes to the Financial Statements
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NOTE 9: OTHER POST-EMPLOYMENT BENEFITS (OPEB) – NEW MEXICO RETIREE HEALTH CARE FUND
(Continued)

For the year ended June 30, 2019, the Charter recognized OPEB expense of (\$13,845). At June 30, 2019, 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	\$ -	\$ 56,004
Changes of assumptions	-	176,408
Differences between expected and actual experience	-	55,944
Net difference between projected and actual earnings on pension plan investments	-	11,792
Charter's contributions subsequent to the measurement date	18,877	-
Total	\$ 18,877	\$ 300,148

\$18,877 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, 2020. 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	\$	(73,897)
2020		(73,897)
2021		(73,897)
2022		(59,769)
2023		(18,688)

**Deming Cesar Chavez Charter High School
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June 30, 2019**

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

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% to 12.50% based on years of service, including inflation
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

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**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%	2.1%
U.S. equity - large cap	20%	7.1%
Non U.S. - emerging markets	15%	10.2%
Non U.S. - developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S. equity - small/mid cap	3%	7.1%

Discount rate. The discount rate used to measure the total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. 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 4.08% is the blended discount rate.

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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, 2018.

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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
Charter's proportionate share of the OPEB liability	\$ 1,143,548	\$ 944,898	\$ 788,316

The following presents the net OPEB Liability of NMRHCA as of June 30, 2018, 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	\$ 798,770	\$ 944,898	\$ 1,059,465

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, 2018. 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, 2019, the Charter did not have a recorded payable to NMRHCA for the contributions withheld in the month of June, 2019.

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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 for the year ended June 30, 2019:

Fund 31700 Capital Improvements SB-9 State	\$ 20,208
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- B. Excess of expenditures over appropriations. The Charter had the following funds with excess of expenditures over appropriations for the year ended June 30, 2019:

Fund 24101 Title I IASA - Instruction	\$ 59,931
Fund 24106 Entitlement IDEA-B - Instruction	3,265
Fund 29107 City/County Grants - Instruction	1,354
<hr/>	
Total governmental funds	<hr/> \$ 64,550 <hr/>

- 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, 2019.

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, 2019

NOTE 13: COMMITMENTS

The Charter had no ongoing construction projects as of the year ended June 30, 2019.

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 \$11,394 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 33-34 and 79.

NOTE 16: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 15, 2019, which is the date on which the financial statements were issued.

NOTE 17: SUBSEQUENT PRONOUNCEMENTS

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 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.



**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Notes to the Financial Statements
June 30, 2019**

NOTE 17: SUBSEQUENT PRONOUNCEMENTS (Continued)

In June 2018, GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, 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 May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. 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***

	2019 Measurement Date (As of and for the Year Ended June 30, 2018)	2018 Measurement Date (As of and for the Year Ended June 30, 2017)
Deming Cesar Chavez Charter High School's proportion of the net pension liability (asset)	0.03294%	0.03393%
Deming Cesar Chavez Charter High School's proportionate share of the net pension liability (asset)	\$ 3,917,004	\$ 3,770,800
Deming Cesar Chavez Charter High School's covered payroll	\$ 919,771	\$ 966,178
Deming Cesar Chavez Charter High School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	426%	390%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%

* 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.*

2017 Measurement Date (As of and for the Year Ended June 30, 2016)	2016 Measurement Date (As of and for the Year Ended June 30, 2015)	2015 Measurement Date (As of and for the Year Ended June 30, 2014)
0.02999%	0.02286%	0.0294%
\$ 2,158,210	\$ 1,480,695	\$ 1,676,905
\$ 1,173,986	\$ 649,885	\$ 1,412,787
184%	228%	119%
63.97%	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, 2019	As of and for the Year Ended June 30, 2018
Contractually required contribution	\$ 140,923	\$ 127,848
Contributions in relation to the contractually required contributor	140,923	127,848
Contribution deficiency (excess)	\$ -	\$ -
Deming Cesar Chavez Charter High School's covered payroll	\$ 1,010,601	\$ 919,771
Contribution as a percentage of covered payroll	13.94%	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 Cesar Chavez Charter School 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, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
\$ 134,299	\$ 163,184	\$ 90,334
134,299	163,184	90,334
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 966,178	\$ 1,173,986	\$ 649,885
13.90%	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, 2019**

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 Board of Trustees approved the following economic and demographic assumptions used in the fiscal year 2017 actuarial calculation of the total pension liability on June 30, 2017:

- 1) Lower wage inflation from 4.25% to 3.75%
- 2) Update the mortality tables to incorporate generational improvements
- 3) Update demographic assumptions to use currently published tables, which may result in minor calculation changes
- 4) Maintain in current 3.00% inflation assumption
- 5) Retain net 4.75% real return assumption
- 6) Retain 7.75% nominal return assumption
- 7) No change to COLA assumption of 2.00% per year
- 8) Maintain current payroll growth assumption of 3.50%
- 9) Maintain experience-based rates for members who joined NMERB by June 30, 2010
- 10) Remove population growth assumption for projections
- 11) Lower population growth from .50% to zero (no impact on valuation results)

Assumption changes increased the Education Retirement Board's total pension liability by \$299,084,856 for fiscal year ending June 30, 2015 as a result of the changes of assumptions described above.

See independent auditors' report.

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**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***

	2019 Measurement Date (As of and for the Year Ended June 30, 2018)	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	0.02173%	0.02295%
Deming Cesar Chavez Charter High School's proportionate share of the net OPEB liability	\$ 944,898	\$ 1,040,019
Deming Cesar Chavez Charter High School's covered-employee payroll	\$ 943,876	\$ 956,016
Deming Cesar Chavez Charter High School's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	100.11%	108.79%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	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 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, 2019	As of and for the Year Ended June 30, 2018
Contractually required contributions	\$ 18,878	\$ 18,562
Contributions in relation to the contractually required contribution	(18,878)	(18,562)
Contribution deficiency (excess)	\$ -	\$ -
Deming Cesar Chavez Charter High School's covered-employee payroll	\$ 943,876	\$ 928,085
Contributions as a percentage of covered-employee payroll	2.00%	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, 2019**

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY18 audit available at http://www.nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM_RHCA_Audited_FS_6.30.18.pdf.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2018 report is available at http://www.nmrhca.org/uploads/FileLinks/4310380076d642ecb015117ae3cdbae8/5559596_NMRHCA_GASB74_Report_as_of_June_30_2018.pdf. See the notes to the financial statements beginning on page 14 which summarizes actuarial assumptions and methods effective with the June 30, 2018 valuation.

See independent auditors' report.

Supplementary Information

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Nonmajor Governmental Funds

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**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.

Youth Conservation Corp NMEMNR (28133) – To provide a Youth Conservation Corps Project including recruiting, guiding and coordinating the work of Corps member and providing them with job and life skills training and education opportunities. Authority for creation of this fund in the NMYCC Act.

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.

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

	Title I IASA 24101	Entitlement IDEA-B 24106	Microsoft Settlement Funds 26170
Assets			
Cash and cash equivalents	\$ 8,978	\$ -	\$ 1,727
Receivables:			
Due from other governments	-	-	-
Total assets	\$ 8,978	\$ -	\$ 1,727
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 9	\$ -	-
Accrued payroll	715	-	-
Due to other funds	8,254	-	-
Total liabilities	8,978	-	-
Deferred inflows of resources			
Unavailable revenue - grants	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances			
Spendable			
 Restricted for:			
Education	-	-	1,727
Total fund balances	-	-	1,727
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,978	\$ -	\$ 1,727

See independent auditors' report.

Beginning Teacher Mentoring Program 27154	Youth Conservation Corp NMEMNR 28133	City/County Grants 29107	Total Nonmajor Governmental Funds
\$ 4,271	\$ -	\$ 10,630	\$ 25,606
-	13,608	-	13,608
<u>\$ 4,271</u>	<u>\$ 13,608</u>	<u>\$ 10,630</u>	<u>\$ 39,214</u>
\$ -	\$ -	\$ -	\$ 9
-	1,164	592	2,471
-	12,444	-	20,698
-	13,608	592	23,178
4,271	-	-	4,271
4,271	-	-	4,271
-	-	10,038	11,765
-	-	10,038	11,765
<u>\$ 4,271</u>	<u>\$ 13,608</u>	<u>\$ 10,630</u>	<u>\$ 39,214</u>

See independent auditors' report.

**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, 2019**

	Title I IASA 24101	Entitlement IDEA-B 24106	Microsoft Settlement Funds 26170
Revenues			
Intergovernmental revenue:			
Federal flowthrough	\$ 47,618	\$ 17,815	\$ -
Local sources	-	-	-
State direct	-	-	-
Total revenues	47,618	17,815	-
Expenditures			
Current:			
Instruction	47,618	17,815	-
Operation and maintenance of plant	-	-	-
Total expenditures	47,618	17,815	-
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

See independent auditors' report.

Beginning Teacher Mentoring Program 27154	Youth Conservation Corp NMEMNR 28133	City/County Grants 29107	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 65,433
-	-	25,000	25,000
-	13,608	-	13,608
-	13,608	25,000	104,041
-	-	1,635	67,068
-	13,608	13,198	26,806
-	13,608	14,833	93,874
-	-	10,167	10,167
-	-	10,167	10,167
-	-	(129)	1,598
\$ -	\$ -	\$ 10,038	\$ 11,765

See independent auditors' report.

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General Fund

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Combining Balance Sheet
General Fund
June 30, 2019**

	Operating 11000	Instructional Materials 14000	Total
Assets			
Cash and cash equivalents	\$ 420,580	\$ 13,922	\$ 434,502
Due from other funds	102,691	-	102,691
Total assets	\$ 523,271	\$ 13,922	\$ 537,193
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 3,233	\$ -	\$ 3,233
Accrued payroll	22,609	-	22,609
Total liabilities	25,842	-	25,842
Fund balances			
Spendable:			
Restricted for:			
Instructional materials	-	13,922	13,922
Committed for:			
Subsequent year's expenditures	347,622	-	347,622
Unassigned	149,807	-	149,807
Total fund balances	497,429	13,922	511,351
Total liabilities, deferred inflows of resources, and fund balances	\$ 523,271	\$ 13,922	\$ 537,193

See independent auditors' report.

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
June 30, 2019

	Operating 11000	Instructional Materials 14000	Total
Revenues			
Intergovernmental revenue			
State direct	\$ 1,638,389	\$ 5,396	\$ 1,643,785
Investment income	59,269	-	59,269
Total revenues	1,697,658	5,396	1,703,054
Expenditures			
Current			
Instruction	819,333	5,042	824,375
Support services - students	187,557	-	187,557
Support services - general administration	252,545	-	252,545
Support services - school administration	250,069	-	250,069
Central services	127,397	-	127,397
Operation and maintenance plant	272,581	-	272,581
Total expenditures	1,909,482	5,042	1,914,524
Excess (deficiency) of revenues over expenditures	(211,824)	354	(211,470)
Net change in fund balances	(211,824)	354	(211,470)
Fund balances - beginning of year	709,253	13,568	722,821
Fund balances - end of year	\$ 497,429	\$ 13,922	\$ 511,351

See independent auditors' report.

**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, 2019**

	<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	\$ 1,622,278	\$ 1,622,278	\$ 1,651,803	\$ 29,525
Investment income	3,256	3,256	59,269	56,013
Total revenues	1,625,534	1,625,534	1,711,072	85,538
Expenditures				
Current				
Instruction	885,608	885,608	860,213	25,395
Support services - students	199,750	199,750	187,557	12,193
Support services - general administration	285,350	285,350	253,964	31,386
Support services - school administration	235,800	235,800	252,807	(17,007)
Central services	135,950	135,950	127,397	8,553
Operation and maintenance of plant	284,000	284,000	270,901	13,099
Total expenditures	2,026,458	2,026,458	1,952,839	73,619
Excess (deficiency) of revenues over expenditures	(400,924)	(400,924)	(241,767)	159,157
Other financing sources (uses)				
Designated cash balance (budgeted increase in cash)	400,924	400,924	-	(400,924)
Total other financing sources (uses)	400,924	400,924	-	(400,924)
Net change in fund balance	-	-	(241,767)	(241,767)
Fund balance - beginning of year	-	-	765,038	765,038
Fund balance - end of year	\$ -	\$ -	\$ 523,271	\$ 523,271
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (241,767)
Adjustments to revenues for state grants				(13,414)
Adjustments to expenditures for supplies and payroll expenditures				43,357
Net change in fund balance (GAAP Basis)				\$ (211,824)

See independent auditors' report.

**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, 2019**

	<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	\$ 5,396	\$ 5,396	\$ 5,396	\$ -
Total revenues	5,396	5,396	5,396	-
Expenditures				
Current				
Instruction	18,963	18,963	5,042	13,921
Total expenditures	18,963	18,963	5,042	13,921
Excess (deficiency) of revenues over expenditures	(13,567)	(13,567)	354	13,921
Other financing sources (uses)				
Designated cash balance (budgeted increase in cash)	13,567	13,567	-	(13,567)
Total other financing sources (uses)	13,567	13,567	-	(13,567)
Net change in fund balance	-	-	354	354
Fund balance - beginning of year	-	-	13,568	13,568
Fund balance - end of year	\$ -	\$ -	\$ 13,922	\$ 13,922
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 354
No adjustments to revenue for state grants				-
No adjustments to revenues or expenditures				-
Net change in fund balance (GAAP Basis)				\$ 354

See independent auditors' report.

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Supporting Schedules

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**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Deposits
June 30, 2019**

<u>Bank Account Type/ Name</u>	<u>First New Mexico Bank</u>
Operational - Checking	\$ 555,334
Total	555,334
Reconciling items	(59,277)
Reconciled balance June 30, 2019	496,057
Less: agency cash	(4,012)
Cash and cash equivalents	\$ 492,045

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, 2019**

	Operational 11000	Instructional Materials 14000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000
PED cash					
June 30, 2018	\$ 718,394	\$ 13,568	\$ -	\$ 31,937	\$ 1,727
Add:					
2018-2019 receipts	1,711,072	5,396	78,343	-	-
Repayment of loans	27,727	-	-	-	-
Total cash available	2,457,193	18,964	78,343	31,937	1,727
Less:					
2018-2019 expenditures	(1,933,318)	(5,042)	(78,343)	-	-
Loans to other funds	(94,097)	-	-	-	-
Cash per PED	429,778	13,922	-	31,937	1,727
Add:					
Audit adjustment	(220)	-	-	-	-
Cash per financial statement	\$ 429,558	\$ 13,922	\$ -	\$ 31,937	\$ 1,727

See independent auditors' report.

	State Flowthrough 27000	State Direct 28000	State Direct 29000	Public School Capital Outlay Account 31200	Capital Improvement SB-9 Account 31700	Total
\$	4,271	\$ -	\$ 64	\$ (90,301)	\$ (18,703)	\$ 660,957
	-	-	25,000	90,301	-	1,910,112
	-	13,608	-	61,785	18,703	121,823
	4,271	13,608	25,064	61,785	-	2,692,892
	-	(13,608)	(14,833)	(61,785)	-	(2,106,929)
	-	-	-	-	-	(94,097)
	4,271	-	10,231	-	-	491,866
	-	-	399	-	-	179
\$	4,271	\$ -	\$ 10,630	\$ -	\$ -	\$ 492,045

Cash balance above \$ 492,045

Cash and restricted cash per Statement of Net Position \$ 492,045

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, 2019**

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market June 30, 2019
First New Mexico Bank				
	Southern Sandoval NM Flood Control	8/1/2021	843789EH7	\$ 250,583
Total First New Mexico Bank				250,583
Name and location of safekeeper for above pledged collateral: The Independent Banker's Bank - Dallas, Texas				
Total pledged collateral				\$ 250,583

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, 2019

	July 1, 2018	Additions	Deletions	June 30, 2019
Assets				
Cash	\$ 4,224	\$	(212)	\$ 4,012
Total assets	\$ 4,224	\$ -	\$ (212)	\$ 4,012
Liabilities				
Deposits held for other	\$ 4,224	\$	(212)	\$ 4,012
Total liabilities	\$ 4,224	\$ -	\$ (212)	\$ 4,012

See independent auditors' report.

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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

Brian S. Colón
New Mexico State Auditor and
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, 2019, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 15, 2019.

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 2017-004, CU NM 2018-001, and CU NM 2019-001 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, 2019

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**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Findings and Responses
For the Year Ended June 30, 2019**

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? | None noted |
| 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, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

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

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

Condition: The Charter reimbursed employees using a combination of per diem and actual expenses resulting in over payments in the amount of \$1,817 in 4 out of 5 transaction tested.

Progress on resolution of prior year finding: The new policy, procedures, and forms were implemented in January 2019.

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 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. The process implemented in January 2019 has resolved these issues, but tested transactions were selected from prior to January 2019.

Current Status/Plan of Action: Deming Cesar Chavez Charter High School will continue to utilize the approved policy and procedure for travel reimbursement with expense receipts.

Responsible Officials: Director, Business Manager, Administrative Assistant

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Findings and Responses
For the Year Ended June 30, 2019**

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

CU NM 2018-001 Budgetary Conditions – Other noncompliance (repeated and modified)

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

Fund and Function	
Fund 24101 Title I IASA - Instruction	\$ 59,931
Fund 24106 Entitlement IDEA-B - Instruction	3,265
Fund 29107 City/County Grants - Instruction	1,354
<hr/>	
Total governmental funds	\$ 64,550

Progress on resolution of prior year finding: The Business Manager and Executive Director of Finance for Deming Public Schools have initiated a process to ensure that budget and BAR entry and approval are appropriate and correct.

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 three 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 NM PED related to the budget status and issues with BAR approval. As of September 2019, a new budget analyst has been assigned to Deming Cesar Chavez Charter High School. The Business Manager will continue to communicate with the Executive Director of Finance for Deming Public Schools to ensure budget and BAR entry and approval.

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, 2019**

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

CU NM 2019-001 – Journal Entry Internal Controls Deficiencies – Other noncompliance

Condition: There was no written documentation on 1 of 4 journal entries tested that show preparer, reviewer, and poster initials and dates.

Criteria: *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

Effect: Not having proper documentation of journal entry preparation and review could result in journal entries being posted to the system incorrectly as well as causing material misstatements to the financial statements.

Cause: Management does not have a policy in place to accurately track journal entry preparation, review, and posting.

Auditors’ Recommendations: The Charter should implement a procedure where initials and dates of the preparer, reviewer, and poster of journal entries is documented on paper.

Management Response: Deming Cesar Chavez Charter High School will ensure that all journal entries are appropriately signed, initialed, and dated by the preparer, reviewer, and poster of the entries.

Current Status/Plan of Action: A new process for the posting of journal entries, while ensuring appropriate signatures, will be put into place as of December 2019.

Responsible Official: Business Manager, Administrative Assistant

**Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Schedule of Findings and Responses
For the Year Ended June 30, 2019**

SECTION IV – PRIOR YEAR FINDINGS

CU NM 2017-002 Posting of Financial Reporting (Other Noncompliance) – Resolved

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

CU NM 2018-001 Budgetary Conditions (Other noncompliance) – Repeated and modified

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

Deming Cesar Chavez Charter High School
A Component Unit of Deming Public Schools
Other Disclosures
June 30, 2019

EXIT CONFERENCE

An exit conference was held on November 15, 2019. The following individuals were in attendance:

Representing Deming Public Schools:

Arsenio Romero	Superintendent
Lesley Doyle	Chief Finance Officer
Joe Adcock	Controller
Bayne Anderson	Board President
Terry Tufts	Audit Committee Member

Representing Deming Cesar Chavez Charter High School:

Chris Masters	Business Manager
Tony Guerrero	Governing Council Member

Representing Carr, Riggs & Ingram, LLC:

Ray Roberts, CPA	Partner-In-Charge of the Southwest Practice Unit
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AUDITOR PREPARED FINANCIALS

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 provide to them by the management of the District. The responsibility for the financial statements remains with the Charter.