



State of
New Mexico
Deming Public
Schools

Annual Financial Report
For the Year Ended June 30, 2017



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
Deming Public Schools
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STATE OF NEW MEXICO
Deming Public Schools
Official Roster
June 30, 2017

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
Matt Robinson		President
Dr. Francine Jacobs		Vice President
Bayne Anderson		Secretary
Ron Wolfe		Member
William "Billy" Ruiz		Member
	<u>School Officials</u>	
Dr. Arsenio Romero		Superintendent
Lesley Doyle		Executive Director of Finance
Joe Adcock		Controller

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor and
The Board of Education
Office of Management and Budget
Deming Public Schools
Deming, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue fund of Deming Public Schools (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Deming Public Schools, as of June 30, 2017, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13 through 18 and Schedules I and II and the Notes to the Required Supplementary Information on pages 100 through 102 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

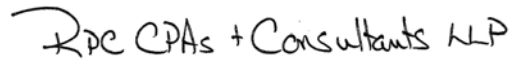
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Supporting Schedules III through VI required by section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI 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 financial statements. Schedules III through VI have been subjected to the auditing procedures applied in the audit of the 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI required by section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017, on our consideration of the District'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 10, 2017

**DEMING PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Introduction

The discussion and analysis of Deming Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- + The net position of the governmental activities increased for the fiscal year ended June 30, 2017, by \$29.9 million or 220.8%. This change is due to capital assets additions in this fiscal year.
- + Total liabilities of governmental fund activities increased by \$16.0 million or 17.7% from the previous fiscal year. This is due mostly to increases in the Net Pension Liability and Bonds Payable.
- + The district had \$60.9 million in expenses related to governmental activities; \$47.2 million of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily consisting of state equalization guarantee, property taxes, and grants and entitlements) of \$43.6 million were adequate to provide for these programs.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand Deming Public School District as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in a single column. For Deming Public School District, the General Fund is the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and Statements of Activities

While this report contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

**DEMING PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

These two statements report the School District's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the School District has improved or diminished for the School District as a whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, the School District is divided into two distinct kinds of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

The Statement of Net Position is presented in compressed form below:

	2017	2016
Assets:		
Current and other assets	\$ 34,423,799	\$ 34,135,437
Capital assets, net of accumulated depreciation	<u>105,087,688</u>	<u>65,914,833</u>
Total assets	<u>139,511,487</u>	<u>100,050,270</u>
Deferred outflows of resources:		
Deferred outflows related to pension plan	<u>11,375,272</u>	<u>6,182,216</u>
Total deferred outflows of resources	<u>11,375,272</u>	<u>6,182,216</u>
Total assets and deferred outflows of resources	<u><u>\$150,886,759</u></u>	<u><u>\$106,232,486</u></u>
Liabilities:		
Current liabilities	\$ 5,837,020	\$ 7,048,281
Net pension liability	72,515,582	63,427,983
Other long-term liabilities	<u>27,975,792</u>	<u>19,871,217</u>
Total liabilities	<u>106,328,394</u>	<u>90,347,481</u>
Deferred inflows of resources:		
Deferred inflows related to pension plan	<u>1,189,154</u>	<u>2,367,338</u>
Net position:		
Net Investment in Capital Assets	79,438,753	53,314,833
Restricted	29,527,865	18,150,842
Unrestricted	<u>(65,597,407)</u>	<u>(57,948,008)</u>
Total net position	<u>43,369,211</u>	<u>13,517,667</u>
Total liabilities, net position and deferred inflows of resources	<u><u>\$150,886,759</u></u>	<u><u>\$106,232,486</u></u>

**DEMING PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The Statement of Activities is presented in compressed form below:

	2017	2016
Program revenues:		
Charges for services	\$ 369,765	\$ 240,889
Operating grants and contributions	15,723,817	14,437,905
Capital grants and contributions	31,108,787	1,801,566
General revenues:		
Property taxes	5,547,848	4,381,434
State equalization guarantee	37,105,323	37,896,961
Interest and investment earnings	95,237	1,894,095
Miscellaneous revenue (expense)	880,010	(127,767)
Gain on disposal of capital asset	106,137	-
Reversion to PED	<u>(175,925)</u>	<u>-</u>
Total revenues	<u>90,760,999</u>	<u>60,525,083</u>
Program expenses:		
Instruction	\$ 32,683,664	\$ 33,411,391
Support services	11,852,281	10,574,982
Central services	1,531,323	1,303,199
Operation and maintenance of plant	7,165,333	5,946,165
Student transportation	2,806,914	2,692,750
Food services	4,172,091	3,946,038
Non-instructional support	-	17,827
Interest on long-term debt	<u>697,849</u>	<u>827,759</u>
Total expenses	<u>60,909,455</u>	<u>58,720,111</u>
Increase (decrease) in net position	<u>\$ 29,851,544</u>	<u>\$ 1,804,972</u>

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources

**DEMING PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The Statement of Activities (shown as Exhibit A-2), for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by revenues from state entitlements.

The dependence upon revenues from the State of New Mexico for governmental activities is obvious. Seventy Five (75%) percent of the governmental activities are supported through general revenues.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$107.8 million and expenditures and other financing uses of \$106.7 million. The net change in fund balance for the year was an increase of \$1.1 million.

General Fund Budgeting Highlights

The School District's budget is prepared according to New Mexico law and Public Education Department Regulations and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund which is comprised of Operational, Transportation, and Instructional Materials funds.

During the course of the 2017 fiscal year, the School District amended its General Fund budget as necessary. The School District utilizes a site-based budgeting technique. The budgeting systems are designed to tightly control site/department budgets, and to provide flexibility for site/departmental management.

For the General Fund, final budgeted revenues and other financing sources are equal to budgeted expenditures of \$41.83 million. Actual expenditures were \$41.4 million. The difference between budget and actual expenditures was primarily due to savings in salaries, and supply costs. Although, savings were experienced throughout the budget.

Actual revenues for the general fund were \$41.3 million with revenues from state sources constituting 98.7% of this total. Actual revenues exceeded actual expenditures by \$0.2 million.

Significant Variations Between Original And Final Budgets

General Fund				
	Original	Final	Change	% Change
Revenue	\$40,603,963	\$39,775,092	\$828,871	-2.0%
Expenditures	\$42,700,181	\$41,871,310	\$828,871	-1.9%

The variations between the original and final budgets were not significant during fiscal year 2017. Budgeted revenue decreased \$828,871 or 2.0% from the original to final budget. The expenditure budget decreased \$828,871 or 1.9%. The District is required by state law to have a balanced budget.

**DEMING PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Significant Changes in Fund Balance

The most significant change in Fund balance was the Capital Improvements SB-9 – Local Capital Projects Fund. It reflects an increase in fund balance of \$3.3 million. This increase is predominantly attributable to the creation of this fund and a transfer in from the Capital Improvements SB-9 – State Capital Projects Fund.

No other funds experienced significant changes in fund balance.

Capital Assets and Debt Administration

Capital Assets

During the 2017 fiscal year, the District had a net increase of \$39.2 million. The total additions consisted primarily of the continued construction of Deming High School. The District had a net decrease of \$1.5 million in equipment and furniture. At the end of fiscal 2017, the District had \$108.1 million invested in depreciable assets with accumulated depreciation of \$51.2 million, \$2.4 million in land and \$45.7 million in Construction in Progress.

Debt

At June 30, 2017, the District had outstanding bonds payable of \$29.4 million.

The District is bonded to 85.2% of the legal limit of \$34.6 million. In February 2014, the voters approved the issuance of \$27 million in bonds. The bonds are to be sold in blocks over a three-year period. See the following table for schedule of issuance:

<u>Date of Sale</u>	<u>Amount Sold or to be sold</u>
May 2014	\$9.5 million
June 2015	\$7.0 million
September 2016	\$10.5 million

Factors Impacting Future Periods

Deming Intermediate School will be complete August 2018 and Deming High School will be complete December 2018. Both schools will be state of the art facilities for our students to learn and grow.

The District will also be implementing a new financial and human resources software system for FY2019. The implementation will begin in January 2018 and be fully implemented July 1, 2018.

The District is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during fiscal year 2018. The District will maintain close oversight of resources to ensure our ability to react to any unknown internal and external issues.

**DEMING PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. To learn more about the District's strategic plan, goals and program results, please visit our web site at www.demingps.org. Questions about this report or additional financial information needs should be directed to:

Dr. Arsenio Romero
Superintendent
Deming Public Schools
1001 S Diamond Ave.
Deming, NM 88030
Arsenio.Romero@demingps.org
(575) 546-8841

Lesley Doyle
Executive Director of Finance
Deming Public Schools
1001 S Diamond Ave.
Deming, NM 88030
Lesley.Doyle@demingps.org
(575) 546-8841

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Deming Public Schools
Statement of Net Position
June 30, 2017

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Governmental</u> <u>Activities</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 7,462,601	\$ 608,896
Investments	698,160	-
Receivables:		
Property taxes	856,080	-
Due from other governments	2,409,117	82,128
Inventory	281,044	-
	<u>11,707,002</u>	<u>691,024</u>
Noncurrent assets		
Restricted assets:		
Cash and cash equivalents	7,984,021	-
Investments	14,732,776	-
Capital assets	156,261,553	665,949
Less: accumulated depreciation	<u>(51,173,865)</u>	<u>(167,637)</u>
	<u>127,804,485</u>	<u>498,312</u>
Total assets	<u>139,511,487</u>	<u>1,189,336</u>
Deferred outflows of resources		
Changes in proportion	1,337,194	376,899
Changes of assumption	1,476,127	43,933
Differences between expected and actual experience	314,600	9,363
Net difference between projected and actual investments earnings on pension plan investments	4,328,577	128,827
Employer contributions subsequent to the measurement date	<u>3,918,774</u>	<u>134,299</u>
Total deferred outflows of resources	<u>11,375,272</u>	<u>693,321</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 150,886,759</u>	<u>\$ 1,882,657</u>

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

	Primary Government	Component Unit
	Governmental Activities	Governmental Activities
Liabilities		
Current liabilities		
Accounts payable	\$ 844,077	\$ 3,462
Accrued payroll	1,757,089	70,973
Accrued interest	441,924	-
Accrued compensated absences	303,930	-
Unspent grant funds	-	36,208
Current portion of bonds payable	2,490,000	-
Total current liabilities	5,837,020	110,643
Noncurrent liabilities		
Accrued compensated absences	298,685	-
Bonds payable	26,395,000	-
Net pension liability	72,515,582	2,158,210
Bond premium, net of accumulated amortization of \$245,372	1,282,107	-
Total noncurrent liabilities	100,491,374	2,158,210
Total liabilities	106,328,394	2,268,853
Deferred inflows of resources		
Changes in proportion	499,439	201,793
Differences between expected and actual experience	689,715	20,527
Total deferred inflows of resources	1,189,154	222,320
Net position		
Net investment in capital assets	79,438,753	498,312
Restricted for:		
Debt service	3,835,228	-
Capital projects	19,460,202	-
Special revenue	6,232,435	1,534
Unrestricted	(65,597,407)	(1,108,362)
Total net position	43,369,211	(608,516)
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 150,886,759</u>	<u>\$ 1,882,657</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Statement of Activities
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental Activities:			
Instruction	\$ 32,683,664	\$ 211,065	\$ 8,338,886
Support services - students	5,318,936	34,349	1,357,070
Support services - instruction	1,734,235	11,199	442,472
Support services - general administration	1,568,850	10,131	400,275
Support services - school administration	3,230,122	20,859	824,131
Central services	1,531,323	9,889	390,701
Operation and maintenance of plant	7,165,333	46,272	1,828,159
Student transportation	2,806,914	-	1,769,246
Other support services	138	-	-
Food services operations	4,172,091	26,001	372,877
Interest and other charges	697,849	-	-
	<u>60,909,455</u>	<u>369,765</u>	<u>15,723,817</u>
<i>Total governmental activities</i>	<u>\$ 60,909,455</u>	<u>\$ 369,765</u>	<u>\$ 15,723,817</u>
Component Unit:			
Cesar Chavez Charter High School	<u>\$ 2,148,158</u>	<u>\$ -</u>	<u>\$ 177,819</u>

General Revenues

Taxes:

Property taxes, levied for operating programs

Property taxes, levied for debt services

Property taxes, levied for capital projects

State equalization guarantee

Investment income

Miscellaneous income

Gain on disposition of assets

Reversion to PED

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>	
<u>Capital Grants and Contributions</u>	<u>Government Activities</u>	<u>Component Unit</u>
\$ 19,100,170	\$ (5,033,543)	\$ -
3,108,360	(819,157)	-
1,013,478	(267,086)	-
916,828	(241,616)	-
1,887,667	(497,465)	-
894,898	(235,835)	-
4,187,386	(1,103,516)	-
-	(1,037,668)	-
-	(138)	-
-	(3,773,213)	-
-	(697,849)	-
<u>\$ 31,108,787</u>	<u>(13,707,086)</u>	
<u>\$ -</u>		<u>\$ (1,970,339)</u>
	336,953	-
	3,841,514	-
	1,369,381	-
	37,105,323	1,363,464
	95,237	2,896
	880,010	48
	106,137	-
	(175,925)	-
	<u>43,558,630</u>	<u>1,366,408</u>
	29,851,544	(603,931)
	<u>13,517,667</u>	<u>(4,585)</u>
	<u>\$ 43,369,211</u>	<u>\$ (608,516)</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund 11000, 13000, 14000	Food Services Special Revenue Fund 21000	Bond Building 31100
<i>Assets</i>			
Cash and cash equivalents	\$ 1,244,672	\$ 5,161,537	\$ 634,269
Investments	698,160	-	14,732,776
Receivables:			
Property taxes	54,825	-	-
Due from other governments	-	144,767	-
Inventory	224,653	56,391	-
Due from other funds	1,986,908	-	293,540
<i>Total assets</i>	<u>\$ 4,209,218</u>	<u>\$ 5,362,695</u>	<u>\$ 15,660,585</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 421,920	\$ 111,545	\$ 266,600
Accrued payroll	1,436,024	59,164	-
Due to other funds	56,506	-	-
<i>Total liabilities</i>	<u>1,914,450</u>	<u>170,709</u>	<u>266,600</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	48,309	-	-
<i>Total deferred inflows of resources</i>	<u>48,309</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable:			
Inventory	224,653	56,391	-
Spendable			
Restricted for:			
Food services	-	5,135,595	-
Extracurricular activities	-	-	-
Education	-	-	-
Capital acquisitions and improvements	-	-	15,393,985
Debt service	-	-	-
Committed for:			
Subsequent year's expenditures	-	-	-
Unassigned	2,021,806	-	-
<i>Total fund balances</i>	<u>2,246,459</u>	<u>5,191,986</u>	<u>15,393,985</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 4,209,218</u>	<u>\$ 5,362,695</u>	<u>\$ 15,660,585</u>

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

Capital Improvements SB-9 Capital Projects Fund		Other Governmental Funds		Total
Local 31701	Debt Service 41000			
\$ 3,248,837	\$ 3,156,444	\$ 2,000,863	\$	15,446,622
-	-	-		15,430,936
220,510	580,745	-		856,080
-	-	2,264,350		2,409,117
-	-	-		281,044
-	-	39,524		2,319,972
<u>\$ 3,469,347</u>	<u>\$ 3,737,189</u>	<u>\$ 4,304,737</u>	<u>\$</u>	<u>36,743,771</u>
\$ 6,493	\$ -	\$ 37,519	\$	844,077
-	-	261,901		1,757,089
-	86,858	2,176,608		2,319,972
<u>6,493</u>	<u>86,858</u>	<u>2,476,028</u>		<u>4,921,138</u>
194,329	505,330	-		747,968
<u>194,329</u>	<u>505,330</u>	<u>-</u>		<u>747,968</u>
-	-	-		281,044
-	-	-		5,135,595
-	-	389,559		389,559
-	-	183,320		183,320
3,268,525	-	1,074,418		19,736,928
-	3,145,001	184,897		3,329,898
-	-	-		-
-	-	(3,485)		2,018,321
<u>3,268,525</u>	<u>3,145,001</u>	<u>1,828,709</u>		<u>31,074,665</u>
<u>\$ 3,469,347</u>	<u>\$ 3,737,189</u>	<u>\$ 4,304,737</u>	<u>\$</u>	<u>36,743,771</u>

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

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STATE OF NEW MEXICO

Deming Public Schools

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2017

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 31,074,665
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	105,087,688
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	747,968
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in funds:	
Deferred outflows related to changes in proportion	1,337,194
Deferred outflows related to changes of assumption	1,476,127
Deferred outflows related to differences between expected and actual experience	314,600
Deferred outflows related to net difference between projected and actual investment earnings on pension plan investments	4,328,577
Deferred outflows related to employer contribution subsequent to measurement date	3,918,774
Deferred inflows related to changes in proportion	(499,439)
Deferred inflows related to differences between expected and actual experience	(689,715)
Liabilities, including bonds payable, and net pension liability are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(602,615)
Accrued interest payable	(441,924)
Bonds payable	(28,885,000)
Bond premium, net of accumulated amortization	(1,282,107)
Net pension liability	<u>(72,515,582)</u>
<i>Total net position - governmental funds</i>	<u>\$ 43,369,211</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund 11000, 13000, 14000	Food Services Special Revenue Fund 21000	Bond Building 31100
<i>Revenues</i>			
Property taxes	\$ 288,644	\$ -	\$ -
Intergovernmental revenue:			
Federal flowthrough	137,498	4,741,966	-
Federal direct	-	-	-
Local sources	416,494	118,946	2,596
State flowthrough	-	-	30,162,966
State direct	37,537,519	-	-
Transportation distribution	1,769,246	-	-
Charges for services	114,402	26,001	-
Investment income	4,954	8,359	73,523
Miscellaneous	458,376	-	-
Total revenues	40,727,133	4,895,272	30,239,085
<i>Expenditures</i>			
Current:			
Instruction	23,155,488	-	-
Support services - students	3,723,940	-	-
Support services - instruction	1,400,706	-	-
Support services - general administration	1,155,704	-	-
Support services - school administration	2,755,184	-	-
Central services	1,254,048	-	-
Operation and maintenance of plant	5,551,926	-	800,512
Student transportation	2,336,946	-	-
Other support services	138	-	-
Food services operations	-	3,805,181	-
Capital outlay	-	-	39,686,741
Debt service:			
Principal	-	-	3,300,000
Interest	-	-	-
Bond issuance costs	-	-	85,148
Total expenditures	41,334,080	3,805,181	43,872,401
<i>Excess (deficiency) of revenues over expenditures</i>	(606,947)	1,090,091	(13,633,316)
<i>Other financing sources (uses)</i>			
Proceeds from sale of capital assets	648,951	-	-
Reversions to PED	-	-	-
Transfers in	-	-	-
Transfers (out)	-	-	-
Bond premium	-	-	1,112,857
Bond proceeds	-	-	12,905,000
Total other financing sources (uses)	648,951	-	14,017,857
<i>Net change in fund balances</i>	42,004	1,090,091	384,541
<i>Fund balances - beginning of year</i>	2,204,455	4,101,895	15,009,444
Fund balances - end of year	\$ 2,246,459	\$ 5,191,986	\$ 15,393,985

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

Capital Improvements SB-9 Capital Projects Fund - Local 31701	Debt Service 41000	Other Governmental Funds	Total
\$ 1,175,052	\$ 3,317,677	\$ 18,507	\$ 4,799,880
-	-	6,292,729	11,172,193
-	-	750	750
175	-	82,987	621,198
-	-	2,662,728	32,825,694
-	-	11,327	37,548,846
-	-	-	1,769,246
-	-	229,362	369,765
5,977	1,678	746	95,237
-	-	421,634	880,010
<u>1,181,204</u>	<u>3,319,355</u>	<u>9,720,770</u>	<u>90,082,819</u>
-	-	6,337,011	29,492,499
-	-	1,122,472	4,846,412
-	-	219,070	1,619,776
7,681	97,662	148,746	1,409,793
-	-	131,057	2,886,241
-	-	86,195	1,340,243
-	-	199,692	6,552,130
-	-	112,538	2,449,484
-	-	-	138
-	-	145,061	3,950,242
907,478	-	1,514,448	42,108,667
-	2,800,000	-	6,100,000
-	676,050	-	676,050
-	-	-	85,148
<u>915,159</u>	<u>3,573,712</u>	<u>10,016,290</u>	<u>103,516,823</u>
<u>266,045</u>	<u>(254,357)</u>	<u>(295,520)</u>	<u>(13,434,004)</u>
-	-	-	648,951
-	-	(175,925)	(175,925)
3,002,480	-	-	3,002,480
-	-	(3,002,480)	(3,002,480)
-	-	-	1,112,857
-	-	-	12,905,000
<u>3,002,480</u>	<u>-</u>	<u>(3,178,405)</u>	<u>14,490,883</u>
3,268,525	(254,357)	(3,473,925)	1,056,879
-	3,399,358	5,302,634	30,017,786
<u>\$ 3,268,525</u>	<u>\$ 3,145,001</u>	<u>\$ 1,828,709</u>	<u>\$ 31,074,665</u>

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

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STATE OF NEW MEXICO

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, 2017

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	1,056,879
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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:

Capital expenditures		42,108,667
Capitalized direct instruction expenditures		103,417
Capitalized student transportation expenditures		94,744
Depreciation expense		(3,049,904)
Book value of capital assets disposed		(84,069)
Book value of land sold during the year		(458,745)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unavailable revenue related to property taxes receivable		747,968
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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:

District pension contribution		3,918,774
Pension expense		(6,635,133)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Increase in accrued compensated absences not due and payable		(11,398)
Increase in accrued interest payable		(203,424)
Amortization of original issue premium		181,625
Original issuance premium of bonds issued		(1,112,857)
Bond Proceeds		(12,905,000)
Principal payments on bonds		6,100,000

<i>Change in net position of governmental activities</i>	<u>\$</u>	<u>29,851,544</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Deming Public Schools
General Fund (11000, 13000, 14000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

Exhibit C-1

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 274,828	\$ 274,828	\$ 286,798	\$ 11,970
Intergovernmental revenue:				
Federal flowthrough	200,000	200,000	137,498	(62,502)
Federal direct	-	-	-	-
Local sources	125,000	125,000	416,496	291,496
State direct	37,996,052	37,433,668	37,537,519	103,851
Transportation distribution	2,035,733	1,769,246	1,769,246	-
Investment Income	2,000	2,000	4,954	2,954
<i>Total revenues</i>	<u>40,603,963</u>	<u>39,775,092</u>	<u>40,725,289</u>	<u>950,197</u>
<i>Expenditures</i>				
Current:				
Instruction	23,171,875	22,941,742	22,940,150	1,592
Support services - students	3,926,818	3,711,051	3,678,727	32,324
Support services - instruction	2,053,055	1,806,934	1,400,404	406,530
Support services - general administration	1,081,748	1,033,072	1,169,806	(136,734)
Support services - school administration	2,749,663	2,749,663	2,755,543	(5,880)
Central services	1,266,185	1,199,240	1,262,172	(62,932)
Operation and maintenance of plant	6,042,087	6,020,858	5,560,961	459,897
Student transportation	2,345,787	2,345,787	2,354,936	(9,149)
Other support services	62,963	62,963	138	62,825
<i>Total expenditures</i>	<u>42,700,181</u>	<u>41,871,310</u>	<u>41,122,837</u>	<u>748,473</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,096,218)</u>	<u>(2,096,218)</u>	<u>(397,548)</u>	<u>1,698,670</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	2,093,218	2,093,218	-	(2,093,218)
Proceeds from sale of capital assets	3,000	3,000	648,951	645,951
<i>Total other financing sources (uses)</i>	<u>2,096,218</u>	<u>2,096,218</u>	<u>648,951</u>	<u>(1,447,267)</u>
<i>Net change in fund balance</i>	-	-	251,403	251,403
<i>Fund balance - beginning of year</i>	-	-	2,242,313	2,242,313
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,493,716</u>	<u>\$ 2,493,716</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ 251,403
Adjustments to revenues for taxes and intergovernmental revenue				1,844
Adjustments to expenditures for supplies and payroll expenditures				(211,243)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 42,004</u>

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

STATE OF NEW MEXICO

Exhibit C-2

Deming Public Schools

Food Services Special Revenue Fund (21000)

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental revenue:				
Federal flowthrough	\$ 3,765,000	\$ 3,765,000	\$ 4,998,749	\$ 1,233,749
Local sources	-	-	118,946	118,946
<i>Total revenues</i>	<u>3,731,000</u>	<u>3,731,000</u>	<u>5,152,055</u>	<u>1,421,055</u>
<i>Expenditures</i>				
Current:				
Food services operations	6,774,242	6,774,242	3,582,759	3,191,483
<i>Total expenditures</i>	<u>6,774,242</u>	<u>6,774,242</u>	<u>3,582,759</u>	<u>3,191,483</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,043,242)</u>	<u>(3,043,242)</u>	<u>1,569,296</u>	<u>4,612,538</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	3,043,242	3,043,242	-	(3,043,242)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>3,043,242</u>	<u>3,043,242</u>	<u>-</u>	<u>(3,043,242)</u>
<i>Net change in fund balance</i>	-	-	1,569,296	1,569,296
<i>Fund balance - beginning of year</i>	-	-	3,533,077	3,533,077
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,102,373</u>	<u>\$ 5,102,373</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ 1,569,296
Adjustments to revenues for federal flowthrough grants				(256,783)
Adjustments to expenditures for food service				(222,422)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 1,090,091</u>

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

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STATE OF NEW MEXICO
Deming Public Schools
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

Exhibit D-1

Assets

Current assets

Cash and cash equivalents

\$ 255,974

Total assets

\$ 255,974

Liabilities

Accounts payable

\$ 23,486

Due to student organizations

232,488

Total liabilities

\$ 255,974

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

Deming Public Schools (the “District”) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education of the City of Deming and surrounding area. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years. The District operates nine schools within the District. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the School Board provides transportation and school food services for the students.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of the District’s management that is responsible for the financial statements. The financial statements of the District 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, 2017, the District adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (partial)*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. These six Statements are required to be implemented as of June 30, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the District, as its pension plan is within the scope of Statement 68.

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the District’s financial statements directly; however, the effects on the District’s OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources came from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed after time – by including information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government’s tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The District’s pension plan does not meet the criteria for exclusion.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

GASB Statement No. 82 clarified and adjusted several items from GASB 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

A. Financial Reporting Entity

In evaluating how to define the District, 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 Nos. 39, 61 and 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.

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 District has one component unit, the Cesar Chavez High School ("Charter") which began operations in the 2006-2007 fiscal year. The District is the sponsoring school. The component unit is presented by a discrete presentation, with financial statements issued separately from the primary government. Separately issued financial statements can be obtained by writing to Cesar Chavez High Charter School at P.O. Box 1658 Deming, NM 88031.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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 District 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 District'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*.

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

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

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

The District reports the following major governmental funds:

The *General Fund* (11000, 13000, 14000) is the District'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 District's school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the school except for those items included in other funds. The General Fund includes the *Pupil Transportation Fund*, (13000) which is used to account for transportation distribution received from the New Mexico Public Education Department which is used to pay for the costs associated with transporting school age children. It also 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 *Food Services Special Revenue Fund* (21000) is used to account for all financial transactions related to the food service operation. Authority for the creation of this fund is the National School Lunch Act, as amended, 42 U.S.C. 1751 1760, 1779.

The *Bond Building Fund* (31100) is used to account for bond proceeds plus any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Capital Improvements SB-9 - Local Capital Projects Fund* (31701) is used to account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

The *Debt Service Fund* (41000) is used to accumulate resources for payment of principal and interest due on educational technology bonds. Financing is provided by a special tax levy approved by the voters of the county and assessed by the Luna County Assessor and collected and remitted to the District by the Luna County Treasurer.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Additionally, the District reports the following agency fund:

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

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

When both restricted and unrestricted resources are available for use, it is the District'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 District'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 District 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.

Restricted Assets: The Debt Service Fund is used to report resources set aside for the payment of long-term debt principal and interest.

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.

The District receives monthly income from a tax levy in Luna County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2017 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2017. Period of availability is deemed to be sixty days subsequent to year end.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

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

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District'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 District was a Phase II government for purposes of implementing GASB Statement No. 34; however, the District does not have any infrastructure assets to report.

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 District'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>
Buildings and improvements	10-50
Land improvements	10-20
Furniture and equipment	5-10

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

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 District has two types of items, which arises under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the items, unavailable revenue - property taxes and unavailable revenue - grants, are 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 District has recorded \$747,968 related to property taxes considered "unavailable." In addition, the District 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 \$499,439 and differences between expected and actual experience of \$689,715, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has five types of items that qualify for reporting in this category. Accordingly, the items, changes in proportion of \$1,337,194, changes of assumptions of \$1,476,127, differences between expected and actual experience of \$314,600, the net difference between projected and actual investment earnings on pension plan investments of \$4,328,577, and employer contributions subsequent to measurement date of \$3,918,774, are reported on the Statement of Net Position. These amounts are 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.

Compensated Absences: The District permits administrative employees to accumulate a limited amount of earned but not used vacation, which will be paid if not used, upon termination from the District. Accumulated sick leave benefits vest with each employee in accordance with the District policy. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result from resignations and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service by employees.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

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)

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the government fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

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.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

For assigned fund balance, the Board of Education or an official or body to which the School Board of Education delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is that 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 District 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 District 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, 2017, the nonspendable fund balance in the general fund was \$224,653 for inventory. Nonspendable inventory in the food service fund is made up of inventory in the amount of \$56,391 that is not in spendable form.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

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)

Restricted and Committed Fund Balance: At June 30, 2017, the restricted fund balance on the governmental funds balance sheet is made up of \$5,708,474 restricted for instructional materials, food services, extracurricular activities and education to the students of the District; \$19,736,928, restricted for the purpose of erecting, remodeling, making additions to and furnishing school buildings and purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [22-24-1 NMSA 1978], or any combination of these purposes, and \$3,329,898 restricted for the payment of principal and interest of the future debt service requirements.

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. For the fiscal year ending June 30, 2017, the District had unspent bond proceeds of \$4,518,172.
- 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 40 and 107-111.
- 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 District 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 districts in the State of New Mexico receive a ‘state equalization guarantee distribution’ which is defined as “that amount of money distributed to each school district to insure that the school district’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 district’s program costs.”

A school district’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.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (continued)

Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$37,105,323 in state equalization guarantee distributions during the year ended June 30, 2017.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$5,547,848 in tax revenues in the government-wide financial statements during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through 12 attending public school within the school district. The District received \$1,769,246 in transportation distributions during the year ended June 30, 2017.

Instructional Materials: The Public Education Department (Department) receives federal mineral leasing funds from which it makes annual allocations to the various school districts 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, 2017 totaled \$370,476.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1 of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. However, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The District received \$481,682 in state SB-9 matching during the year ended June 30, 2017.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

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 district facilities, upon application by a school district 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 District received \$30,162,966 of Public School Capital Outlay matching during the year ended June 30, 2017.

Federal Grants: The District 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 District's accrued payroll, which is presented on the accrual basis. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as restricted fund balance.

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.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance, and Accountability (continued)

Budgetary Information (continued)

The District 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 District 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 district 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 District 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 District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district 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 District from exceeding budgetary control at the function level.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance, and Accountability (continued)

Budgetary Information (continued)

The appropriated budget for the year ended June 30, 2017, was properly amended by the District'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	\$ (2,036,918)	\$ (2,036,918)
Food Service Special Revenue Fund	\$ (2,975,242)	\$ (2,975,242)
Bond Building Capital Projects Fund	\$ (15,672,738)	\$ (15,672,738)
Capital Improvements SB-9 Capital Projects Fund-Local	\$ (1,394,979)	\$ (1,394,979)
Debt Service	\$ (2,529,733)	\$ (2,529,733)
Other Governmental Funds	\$ (3,215,435)	\$ (3,283,348)

The District 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 and Investments

Section 22-8-40, NMSA 1978 authorizes the investment of District 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 District properly followed State investment requirements as of June 30, 2017.

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 District. 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 V 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, District 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.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

All of the District's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District 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, 2017, \$18,061,693 of the District's bank balances of \$19,061,693 was exposed to custodial credit risk. \$10,268,425 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the District's name, and \$7,793,268 was uninsured and uncollateralized.

	<u>First New Mexico Bank</u>	<u>Wells Fargo Bank</u>	<u>First Savings Bank</u>	<u>Total</u>
Amount of deposits	\$ 13,384,942	\$ 2,717,514	\$ 2,959,237	\$ 19,061,693
FDIC coverage	(500,000)	(250,000)	(250,000)	(1,000,000)
Total uninsured public funds	<u>12,884,942</u>	<u>2,467,514</u>	<u>2,709,237</u>	<u>18,061,693</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	6,132,755	1,699,933	2,435,737	10,268,425
Uninsured and uncollateralized	<u>\$ 6,752,187</u>	<u>\$ 767,581</u>	<u>\$ 273,500</u>	<u>\$ 7,793,268</u>
Collateral requirement (50%)	\$ 6,442,471	\$ 1,233,757	\$ 1,354,619	\$ 9,030,847
Pledged securities	6,132,755	1,699,933	2,435,737	10,268,425
Over (under) collateralized	<u>\$ (309,716)</u>	<u>\$ 466,176</u>	<u>\$ 1,081,118</u>	<u>\$ 1,237,578</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

The District 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, 2017. Funds 24101 through 24154 are federal funds and 27103 through 27195 are nonfederal funds. The following individual funds had negative cash balances as of June 30, 2017:

	Due From	Due To
Major Funds:		
Fund 11000 Operational	\$ 1,986,908	\$ -
 Non-major Funds:		
Fund 24101 Title I	-	784,039
Fund 24103 Migrant Children Education	-	20,604
Fund 24106 Entitlement IDEA-B	-	194,495
Fund 24109 Preschool IDEA-B	-	222
Fund 24113 Education of Homeless	-	2,937
Fund 24132 IDEA-B Results Plan	-	10,000
Fund 24153 Englis Language Acquisition	-	55,416
Fund 24154 Teacher/Principle Training	-	23,065
Fund 24160 Rural & Low-Income Schools	-	1,672
Fund 24174 Carl D Perkins - Current	-	6,267
Fund 24176 Carl D Perkins - Redistribution	-	5,191
Fund 24186 USHHS/CDC School Health	-	1,834
Fund 25246 Emergency Food/Shelter National	-	3,485
Fund 27103 2009 Dual Credit IM/HB2	-	1,273
Fund 27114 New Mexico Reads to Lead	-	3,491
Fund 27141 Truancy Initiative PED	-	19,323
Fund 27149 PreK Initiative	-	139,540
Fund 27166 Kindergarten - Three Plus	-	70,532
Fund 27168 After School Enrichment Program	-	28,340
Fund 27178 2013 School Bus	-	83,159
Fund 27195 Teachers Hard to Staff	-	70,655
Fund 31700 SB-9 Local Match	-	461,368
	\$ 1,986,908	\$ 1,986,908

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position

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

Cash and cash equivalents per Exhibit A-1	\$ 7,462,601
Restricted cash per Exhibit A-1	7,984,021
Investments per Exhibit A-1	698,160
Restricted investments Exhibit A-1	14,732,776
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit D-1	255,974
 Total cash, cash equivalents and investments	 31,133,532
 Add: outstanding checks	 8,727,399
Less: deposits in transit	(5,368,255)
Less: investments held in New MexiGROW LGIP	(707,999)
Less: restricted investments with Moreton Capital Markets	(4,516,172)
Less: restricted investment with Wells Fargo Securities	(10,206,812)
 Bank balance of deposits	 \$ 19,061,693

Investments

As of June 30, 2017, the Authority had the following investments and maturities and ratings:

Investment Type	Fair Value	Investment Maturity
U.S. Treasury money market mutual funds	\$ 13,472,937	>365 days
New Mexico LGIP	707,999	See below
Certificates of deposit	1,250,000	>365 days
Total investments	\$ 15,430,936	

Investment Type	Weighted Average Maturities (F)	Fair Value	Rating
	106 day- WAM (F) and		
New MexiGROW LGIP	58 day-WAM (R)	\$ 707,999	AAAm **
U.S. Treasury money market mutual funds	>365 days	\$ 13,472,937	Aaa *

* Based on Moody's Rating

** Based on Standard & Poor's rating

Credit Risk

As of June 30, 2017, the Authority's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor's.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The LGIP's investments are monitored by the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

Interest Rate Risk – Investments. The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Concentration Credit Risk – Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the District. The District's currently has 4% invested in U.S. Government securities, and 96% in certificates of deposit. Since the District only purchases investment with high credit ratings, the additional concentration is not viewed to be an additional risk by the District. The District's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Fair Value Measurement

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The District maintained a balance of \$14,180,936 in the LGIP and money market mutual funds at year end which required fair value disclosure.

	Total	Fair Value Measurement Inputs		
		Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury money market mutual funds	\$ 13,472,937	\$ 13,472,937	\$ -	\$ -
New Mexico LGIP	707,999	707,999	-	-
Total investments	<u>\$ 14,180,936</u>	<u>\$ 14,180,936</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4. Accounts Receivable

Accounts receivable as of June 30, 2017, are as follows:

	General Fund	Food Services	Capital Improvements SB-9- Local
Property taxes receivable	\$ 54,825	\$ -	\$ 220,510
Due from other governments:			
Federal sources	-	144,767	
State sources	-	-	-
Totals	<u>\$ 54,825</u>	<u>\$ 144,767</u>	<u>\$ 220,510</u>

	Debt Service	Other Governmental Funds	Total
Property taxes receivable	\$ 580,745	\$ -	\$ 856,080
Due from other governments:			
Federal sources	-	1,321,023	1,465,790
State sources	-	943,327	943,327
Totals	<u>\$ 580,745</u>	<u>\$ 2,264,350</u>	<u>\$ 3,265,197</u>

The above receivables are deemed 100% collectible.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 4. Accounts Receivable (continued)

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$747,968 that was not collected within the period of availability have been reclassified as deferred inflows for unavailable revenue in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

NOTE 5. Interfund Receivables, Payables, and Transfers

The District 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, 2017, in addition to the balances for negative cash, is as follows:

	Due From	Due To
Major Funds:		
Fund 11000 Operational	\$ -	\$ 56,506
Fund 31100 Bond Building	293,540	-
Fund 41000 Debt Service	-	86,858
Non-major Funds:		
Fund 31700 SB-9 Local Match	39,524	-
Fund 31900 Education Technology Equipment Act	-	189,700
	\$ 333,064	\$ 333,064

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

The District transferred cash between funds during the year ended June 30, 2017, as follows:

Transfers Out	Transfers In	Amount
	Fund 31701 Capital Improvements SB-9	
Fund 31700 Capital Improvements SB-9	Capital Projects Fund - Local	\$ 3,002,480
	Total	\$ 3,002,480

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017, 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, 2017 appear in the Statement of Net Position as follows:

Governmental activities:	Balance			Balance
	June 30, 2016	Additions	Deletions	June 30, 2017
Capital assets not being depreciated:				
Land	\$ 2,352,095	\$ 58,684	\$ -	\$ 2,410,779
Construction in progress	3,947,247	41,790,594	-	45,737,841
	<u>6,299,342</u>	<u>41,849,278</u>	<u>-</u>	<u>48,148,620</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings and improvements	94,442,980	-	94,583	94,348,397
Land improvements	6,527,033	-	-	6,527,033
Furniture and equipment	8,759,597	457,550	1,979,644	7,237,503
	<u>109,729,610</u>	<u>457,550</u>	<u>2,074,227</u>	<u>108,112,933</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Buildings and improvements	(39,748,399)	(2,449,928)	(10,514)	(42,187,813)
Land improvements	(2,913,481)	(310,200)	-	(3,223,681)
Furniture and equipment	(7,452,239)	(289,776)	(1,979,644)	(5,762,371)
	<u>(50,114,119)</u>	<u>(3,049,904)</u>	<u>(1,990,158)</u>	<u>(51,173,865)</u>
Total accumulated depreciation				
Total capital assets, net of depreciation	<u>\$ 65,914,833</u>	<u>\$ 39,256,924</u>	<u>\$ 4,064,385</u>	<u>\$ 105,087,688</u>

Depreciation expense for the year ended June 30, 2017 was charged to the following functions:

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 6. Capital Assets (Continued)

Depreciation expense for the year ended June 30, 2017 was charged to the following functions:

Governmental Activities

Direct instruction	\$ 1,574,753
Support services-students	236,742
Support services-instruction	22,193
General administration	88,778
School administration	147,964
Central services	125,750
Operation and maintenance of plant	310,724
Student transportation	330,299
Capital Outlay	56,818
Food service operations	<u>155,883</u>
Total	<u><u>\$ 3,049,904</u></u>

NOTE 7. Long-term Debt

General obligation bonds are secured by and payable solely from the Debt Service Fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2017 are for governmental activities.

Bonds outstanding at June 30, 2017 are comprised of the following:

	<u>Series 2007</u>	<u>Series 2014</u>	<u>Series 2015</u>
Original Issue:	\$ 6,000,000	\$ 9,500,000	\$ 9,480,000
Principal:	August 1	August 1	August 1
Interest:	August 1	August 1	August 1
		February 1	February 1
Interest Rates:	3.55%-5%	2.00%-2.60%	2.00%-3.95%
Maturity Date:	August 2019	August 2028	February 2030
	<u>Series 2016A</u>	<u>Series 2016B</u>	
Original Issue:	\$ 9,780,000	\$ 3,125,000	
Principal:	August 1	August 1	
Interest:	August 1	August 1	
	February 1	February 1	
Interest Rates:	2.00%-4.00%	2.00%-4.00%	
Maturity Date:	August 2030	August 2019	

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 7. Long-term Debt (continued)

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
General Obligation Bonds Series 2007	\$ 4,200,000	\$ -	\$ 4,200,000	\$ -	\$ -
General Obligation Bonds Series 2014	8,400,000	-	700,000	7,700,000	300,000
General Obligation Bonds Series 2015	9,480,000	-	1,200,000	8,280,000	800,000
General Obligation Bonds Series 2016A	-	9,780,000	-	9,780,000	350,000
General Obligation Bonds Series 2016B	-	3,125,000	-	3,125,000	1,040,000
Total Bonds	22,080,000	12,905,000	6,100,000	28,885,000	2,490,000
Compensated Absences	591,719	316,866	305,970	602,615	602,615
Total Long-Term Debt	\$ 22,671,719	\$ 13,221,866	\$ 6,405,970	\$ 29,487,615	\$ 3,092,615

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending	Principal	Interest	Total Debt Service
2018	\$ 2,490,000	\$ 816,143	\$ 3,306,143
2019	2,575,000	726,843	3,301,843
2020	2,570,000	634,881	3,204,881
2021	2,225,000	557,218	2,782,218
2022	2,025,000	497,781	2,522,781
2023-2027	10,675,000	1,570,715	12,245,715
2028-2031	6,325,000	248,679	6,573,679
	\$ 28,885,000	\$ 5,052,260	\$ 33,937,260

Compensated Absences - Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences decreased \$10,896 from the prior year accrual. In prior years, the general fund was typically used to liquidate such long-term liabilities. See Note 1 for more details.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 8. Risk Management

The District 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 District 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 District 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 District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2017, there have been no claims that have exceeded insurance coverage.

NOTE 9. Pension Plan – Educational Retirement Board

General Information about the Pension Plan

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

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

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

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board (continued)

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

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

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

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

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board (continued)

Contributions. The contribution requirements of plan members and the District 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, 2017 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2017 employers contributed 13.90%, and employees earning 20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 continued contributing at an amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$3,918,774 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016. At June 30, 2017, the District reported a liability of \$72,515,582 for its proportionate share of the net pension liability. The District'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, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016, the District's proportion was 1.00766 percent, which was an increase of 0.02842 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$6,635,133.

At the June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 314,600	\$ 689,715
Changes in proportion	1,337,194	499,439
Net difference between projected and actual earnings on pension plan investments	4,328,577	-
Changes of assumptions	1,476,127	-
District's contributions subsequent to the measurement date	<u>3,918,774</u>	<u>-</u>
Total	<u>\$ 11,375,272</u>	<u>\$ 1,189,154</u>

\$3,918,774 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board (continued)

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

Year ended June 30:	
2018	\$ (1,178,979)
2019	(1,611,548)
2020	(2,421,250)
2021	(1,055,567)
2022	-
Thereafter	-

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

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2016 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by the Board on June 12, 2015 in conjunction with the six year experience study period ending June 30, 2014.
5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board (continued)

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increase	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	Healthy males: RP-2000 Combined Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table’s base year of 2012

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. ERB’s investment allocation policy was reviewed and amended by the Board of Trustees on August 26, 2016. 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.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board (continued)

The following schedule shows the current asset allocation policy adopted on August 26, 2016, as well as the prior allocation policy targets.

Comparative Schedule of Target Investment Allocation

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

For the years ended June 30, 2016 and 2015, the annual money-weighted rates of return on pension plan investments were 2.68% and 4.06%, respectively.

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Deming Public Schools
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NOTE 9. Pension Plan – Educational Retirement Board (continued)

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB’s defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District’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 2016. 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 (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Deming Public School's proportionate share of the net pension liability	\$ 96,045,205	\$ 72,515,582	\$ 52,992,643

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, 2016, which is publicly available at www.nmerb.org.

Payables to the pension plan. The District 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, 2017, the District owed the ERB \$450,204 for the contributions withheld in the month of June 2017. At June 30, 2017, the Charter owed the ERB \$20,163 for the contributions withheld in the month of June 2017.

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978).

STATE OF NEW MEXICO
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June 30, 2017

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (continued)

The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$570,017, \$575,626, and \$555,879, respectively, which equal the required contributions for each year.

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NOTE 11. 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 District expects such amount, if any, to be immaterial.

The District 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 District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 12. 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 District had the following fund that maintained a deficit fund balance at June 30, 2017:

Nonmajor Funds

Fund 13000 Pupil Transportation	\$	1,019
Fund 14000 Instructional Materials		33,515
Fund 25246 Emergency Food/Shelter National		3,485
Total Governmental Funds	\$	37,000

- B. Excess of expenditures over appropriations. The District had the following funds with excess of expenditures over appropriations for the year ended June 30, 2017:

Fund 11000 Operational - Instruction	\$	2,216
Fund 25153 Title XIX - Support Services - Student		55,513
Fund 25153 Title XIX - Operation and Maintenance		1,556
Fund 25200 ROTC - Instruction		461
Fund 25246 Emergency Food/Shelter - Instruction		3,485
Fund 29107 City/County Grants - Instruction		38,666
Fund 43000 Ed. Tech. Debt Service - General Administration		122

- C. Designated cash appropriations in excess of available balance. The District had the following funds with designated cash appropriations in excess of available balances for the year ended June 30, 2017:

	Designated Cash	Beginning Year Cash & AR Available	Appropriation in Excess of Available Cash
Fund 23000 Non-Instructional Support	\$ 356,724	\$ 350,221	\$ 6,503
Fund 31100 Bond Building	15,672,738	15,629,877	42,861
Fund 31701 SB-9 Local Match	1,394,979	-	1,394,979
Fund 31900 Educational Technology Equipment Act	1,506,468	-	63,406

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NOTE 13. Concentrations

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

NOTE 14. Commitments

The District had multiple construction projects ongoing as of the year ended June 30, 2017 that are to continue into the following fiscal year. These projects are as follows:

	Expected Total Project
Demign High School	\$ 7,367,503
Deming Intermediate School	16,256,986
Total Commitments	<u>\$ 23,624,489</u>

NOTE 15. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue code Section 403 (b). The plan, available to all District 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 16. Restricted Net Position

The government-wide statement of net position reports \$29,527,865 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, debt service and capital projects, see pages 40 and 107-111.

NOTE 17. Tax Abatements

While the District does not negotiate property tax abatements, Luna County does on an individual basis. There are three tax abatement agreement that affects the District as of June 30, 2017. Those agreement are as follows:

The agreement with Macho Springs I Bondholder LLC for the installation and operation of Wind Energy Project within Luna County approximately 24 miles NE of Deming, NM. The agreement began in 2010. The amount of property taxes abated during 2017 \$92,550.

This agreement was negotiated under the §7-36-3 NMSA 1978 for the installation and operation of wind energy project within Luna County. Each abatement is a local agreement between a taxpayer and a taxing unit that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a specific dollar amount. There is a provision, that in the event that if the project ceases or bonds are redeemed prior to 30-year maturity the Company shall pay an amount equal to present value of the difference between remaining scheduled payments in lieu of taxes and property taxes expected at maturity per bond documents.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
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NOTE 17. Tax Abatements (continued)

The agreement with Macho Springs Solar LLC for the installation and operation of Solar Energy Project within Luna County approximately 24 miles NE of Deming, NM. The agreement began in 2012. The amount of compensating tax abated during 2017 \$175,000.

This agreement was negotiated under the Industrial Revenue Bond Act §4-59-1 to §4-59-16 NMSA 1978 for the installation and operation of solar energy project within Luna County. Each abatement is a local agreement between a taxpayer and a taxing unit that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a specific dollar amount. There is a provision, that if the project ceases or bonds are redeemed prior to 30-year maturity the Company shall pay an amount equal to present value of the difference between remaining scheduled payments in lieu of taxes and compensating taxes at maturity per bond documents.

The agreement with TPE Alta Luna LLC for the installation and operation of Solar Energy Project within Luna County approximately 24 miles NE of Deming, NM. The agreement began in 2015. The amount of property taxes abated during 2017 \$22,115.

This agreement was negotiated under the Industrial Revenue Bond Act §4-59-1 to §4-59-16 NMSA 1978 for the installation and operation of solar energy project within Luna County. Each abatement is a local agreement between a taxpayer and a taxing unit that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a specific dollar amount. There is a provision, that in the event that if the project ceases the County will exercise legal action for any unpaid amount due/terminate agreement.

The District has not made any commitments as part of the agreements other than those made by the County. The District is subject to those tax abatements agreement entered into by Luna County.

NOTE 18. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 10, 2017, which is the date on which the financial statements were issued.

NOTE 19. Subsequent Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The District expects this pronouncement to have a material effect on the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

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

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NOTE 19. Subsequent Pronouncements (continued)

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 District is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The District is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District 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 District is still evaluating how this pronouncement will affect the financial statements.

NOTE 20. Component Unit

The following notes relate to the Deming Cesar Chavez Charter High School as formed under NMSA 22-8A and as such are presented here as discrete Component Unit of Deming Public Schools:

CU 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.

The financial statements of the Charter have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 1. Summary of Significant Accounting Policies (continued)

The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Charter's accounting policies are described below.

During the year ended June 30, 2017, the Charter adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (partial), No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. These six Statements are required to be implemented as of June 30, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the Charter, as its pension plan is within the scope of Statement 68.

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the Charter's financial statements directly; however, the effects on the Charter's OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

STATE OF NEW MEXICO
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June 30, 2017

CU NOTE 1. Summary of Significant Accounting Policies (continued)

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The implementation of this statement does not have a material effect on the financial statements of the Charter.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The Charter's pension plan does not meet the criteria for exclusion.

GASB Statement No. 82 clarified and adjusted several items from GASB Statement Nos. 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 1. Summary of Significant Accounting Policies (continued)

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.

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.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 1. Summary of Significant Accounting Policies (continued)

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*.

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

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

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

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

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

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

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 *Title I- IASA fund* is used 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.

The *Entitlement IDEA-B* fund is used 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.

The *TANF/GRADS* 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.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 1. Summary of Significant Accounting Policies (continued)

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

Additionally, the Charter reports the following agency fund:

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

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

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

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

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

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

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

The Charter receives monthly income from a tax levy in Luna County. The funds are collected by the County Treasurer and are remitted to the Charter the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2017 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2017. Period of availability is deemed to be sixty days subsequent to year end.

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU 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)

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 1. Summary of Significant Accounting Policies (continued)

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

The 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 \$201,793 and difference between expected and actual experience of \$20,527 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Charter has five types of items that qualify for reporting in this category. Accordingly, the items, changes in proportion of \$376,899, changes of assumptions of \$43,933, differences between expected and actual experience of \$9,363, the net difference between projected and actual investment earnings on pension plan investments of \$128,827, and employer contributions subsequent to measurement date in the amount of \$134,299, are reported on the Statement of Net Position. These amounts are 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.

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

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU 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)

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

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

Nonspendable Fund Balance: At June 30, 2017, the Charter did not have fund balance in nonspendable form.

Restricted and Committed Fund Balance: At June 30, 2017, the restricted fund balance on the governmental funds balance sheet is made up of \$1,727 restricted for 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.
- 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 35 and 66.
- 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.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 1. Summary of Significant Accounting Policies (continued)

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 \$1,363,464 in state equalization guarantee distributions during the year ended June 30, 2017.

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, 2017 totaled \$8,377.

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 \$80,988 of Public School Capital Outlay matching during the year ended June 30, 2017.

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.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

These budgets are prepared on the modified cash basis with payroll or held checks being accrued and expensed, therefore, fund balances on the budget statements do not reconcile to cash due to the Charter's accrued payroll, which is presented on the accrual basis. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as restricted fund balance.

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

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

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

1. In April or May, the local school board submits to the Charter Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school Charter for the ensuing fiscal year.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the Charter until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The Charter shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 2. Stewardship, Compliance and Accountability (Continued)

Budgetary Information(Continued)

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, 2017, 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	\$ (1,071,038)	\$ (1,071,038)
Title I IASA	\$ -	\$ -
Entitlement IDEA-B	\$ -	\$ -
TANF/GRADS	\$ (31,936)	\$ (31,936)
Other Governmental Funds	\$ (20,794)	\$ (20,794)

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, 2017.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 3. Deposits (continued)

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

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

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

All of the Charter's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Charter's deposits may not be returned to it. The Charter does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$370,910 of the Charter's bank balance of \$620,910 was exposed to custodial credit risk. \$370,910 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the Charter's name, and \$(112,261) was uninsured and uncollateralized.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 3. Deposits (continued)

	First New Mexico Bank	Total
Amount of deposits	\$ 620,910	\$ 620,910
FDIC Coverage	(250,000)	(250,000)
Total uninsured public funds	370,910	370,910
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the School's name		
	370,910	370,910
Uninsured and uncollateralized	\$ -	\$ -
Collateral requirement (50% of uninsured funds)		
	\$ 185,455	\$ 185,455
Pledged Collateral	483,171	483,171
Over (Under) collateralized	\$ 297,716	\$ 297,716

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

The Charter utilizes internal pooled accounts for some of their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheet as of June 30, 2017. The following individual funds had negative cash balances as of June 30, 2017:

24101 Title I IASA	\$ 57,785
24106 Entitlement IDEA-B	20,215
29107 City/County Grants	108
Total	\$ 78,108

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 3. Deposits (continued)

Reconciliation to the Statement of Net Position

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

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents per Exhibit A-1	\$ 608,896
Restricted cash and cash equivalents per Exhibit A-1	-
Agency funds cash per Exhibit E-1	<u>3,500</u>
 Total cash and cash equivalents	 <u>612,396</u>
 Add: outstanding checks	 <u>8,514</u>
 Bank balance of deposits	 <u><u>\$ 620,910</u></u>

CU NOTE 4. Accounts Receivable

Accounts receivable as of June 30, 2017, are as follows:

	<u>Title I IASA</u>	<u>Entitlement IDEA-B</u>	<u>Total</u>
Intergovernmental-grants:			
Federal	<u>61,913</u>	<u>20,215</u>	<u>82,128</u>
Totals by category	<u>\$ 61,913</u>	<u>\$ 20,215</u>	<u>\$ 82,128</u>

The above receivables are deemed 100% collectible.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU 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, 2017 is as follows:

	Due to	Due from
Governmental Activities:		
General Fund	\$ -	\$ 78,108
Title I IASA	57,785	-
Entitlement IDEA-B	20,215	-
City/County Grants	108	-
Total Interfund Transfers	\$ 78,108	\$ 78,108

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, 2017.

CU NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017, 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, 2017 appear in the Statement of Net Position as follows:

Governmental activities:	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
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	(40,429)	(13,091)	-	(53,520)
Furniture and equipment	(103,159)	(10,958)	-	(114,117)
Total accumulated depreciation	(143,588)	(24,049)	-	(167,637)
Total capital assets, net of depreciation	\$ 522,361	\$ (24,049)	\$ -	\$ 498,312

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 6. Capital Assets (Continued)

Depreciation expense for the year ended June 30, 2017 was charged to the following function:

Governmental Activities	
Operation and maintenance of plant	\$ 24,049
Total	<u>\$ 24,049</u>

CU 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, 2017, there have been no claims that have exceeded insurance coverage.

CU NOTE 8. Pension Plan – Educational Retirement Board

General Information about the Pension Plan

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

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 8. Pension Plan – Educational Retirement Board (continued)

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

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

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

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

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

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 8. Pension Plan – Educational Retirement Board (continued)

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

Contributions. The contribution requirements of plan members and the Charter are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2017 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2017 employers contributed 13.90%, and employees earning 20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 continued contributing at an amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Charter were \$134,299 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016. At June 30, 2017, the Charter reported a liability of \$2,158,210 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, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016, the Charter's proportion was 1.00766 percent, which was an increase of 0.02842 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Charter recognized pension expense of \$315,567.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 8. Pension Plan – Educational Retirement Board (continued)

At the June 30, 2017, 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	\$ 376,899	\$ 201,793
Differences between expected and actual experience		
Changes of assumptions	43,933	-
Differences between expected and actual experience	9,363	20,527
Net difference between projected and actual earnings on pension plan investments	128,827	-
Charter's contributions subsequent to the measurement date	134,299	-
Total	\$ 693,321	\$ 222,320

\$134,299 reported as deferred outflows of resources related to pensions resulting from Charter contributions subsequent to the measurement date of June 30, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year ended June 30:	
2018	\$ (88,780)
2019	(62,253)
2020	(154,253)
2021	(31,416)
2022	-
Thereafter	-

Actuarial assumptions. The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2015. The total pension liability was rolled forward from the valuation date to the Plan's year ending June 30, 2016 using generally accepted actuarial principles. The liabilities reflect the impact of Senate Bill 115, signed into law March 29, 2013 and new assumptions adopted by the Board of Trustees on June 12, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2016 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 8. Pension Plan – Educational Retirement Board (continued)

3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by the Board on June 12, 2015 in conjunction with the six year experience study period ending June 30, 2014.
5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increase	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	Healthy males: RP-2000 Combined Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table’s base year of 2012.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. ERB’s investment allocation policy was reviewed and amended by the Board of Trustees on August 26, 2016. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocation policy adopted on August 26, 2016, as well as the prior allocation policy targets.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 8. Pension Plan – Educational Retirement Board (continued)

Comparative Schedule of Target Investment Allocation

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

For the years ended June 30, 2016 and 2015, the annual money-weighted rates of return on pension plan investments were 2.68% and 4.06%, respectively.

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 8. Pension Plan – Educational Retirement Board (continued)

Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the 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 2016. 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 (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 2,858,500	\$ 2,158,210	\$ 1,577,168

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, 2016, 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, 2017, the Charter owed the ERB \$20,163 for the contributions withheld in the month of June 2017.

CU NOTE 9. Post-Employment Benefits – State Retiree Health Care Plan

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 9. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Charter's contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$19,706, \$17,396, and \$16,638, respectively, which equal the required contributions for each year.

CU 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.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 10. Contingent Liabilities (continued)

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.

CU NOTE 11. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The Charter had the following fund that maintained a deficit fund balance at June 30, 2017:

Nonmajor Fund

Fund 29107 City/County Grants	193
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- B. Excess of expenditures over appropriations. The Charter had no funds with excess of expenditures over appropriations for the year ended June 30, 2017:
- C. Designated cash appropriations in excess of available balance. The Charter had the following funds with designated cash appropriations in excess of available balances for the year ended June 30, 2017:

	<u>Designated Cash</u>	<u>Beginning Year Cash & AR Available</u>	<u>Cash Appropriation in Excess of Available</u>
Major Fund			
Operational Fund	\$ 1,063,093	\$ 1,041,284	\$ (21,809)
Entitlement - IDEA B	-	(14,661)	(14,661)

CU 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.

CU NOTE 13. Commitments

The Charter had multiple construction projects ongoing as of the year ended June 30, 2017 that are to continue into the following fiscal year. These projects are as follows:

	<u>Expected Total Project</u>
Demign High School	\$ 7,367,503
Deming Intermediate School	16,256,986
Total Commitments	<u>\$ 23,624,489</u>

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU 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.

CU NOTE 15. Restricted Net Position

The government-wide statement of net position reports \$1,534 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 35 and 66.

CU NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 10, 2017, which is the date on which the financial statements were issued.

CU NOTE 17. Subsequent Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Charter expects this pronouncement to have a material effect on the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Charter is still evaluating how this pronouncement will affect the financial statements.

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

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

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Charter is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Deming Public Schools
Notes to the Financial Statements
June 30, 2017

CU NOTE 17. Subsequent Pronouncements (continued)

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. 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.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule I

Deming Public Schools
 Schedule of Proportionate Share of the Net Pension Liability
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

	2017	2016	2015
	Measurement	Measurement	Measurement
	Date (As of and	Date (As of and	Date (As of and
	for the Year	for the Year	for the Year
	Ended June 30,	Ended June 30,	Ended June 30,
	2016)	2015)	2014)
Deming Public Schools proportion of the net pension liability (asset)	1.00766%	0.97924%	0.9889%
Deming Public Schools proportionate share of the net pension liability (asset)	\$ 72,515,582	\$ 63,427,983	\$ 56,421,681
Deming Public Schools covered-employee payroll	\$ 28,779,050	\$ 27,836,551	\$ 25,780,182
Deming Public Schools proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	252%	228%	219%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	63.97%	66.34%

* 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 Public Schools will present information for those years for which information is available.

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

STATE OF NEW MEXICO
Deming Public Schools
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

Schedule II

	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
Contractually required contribution	\$ 3,918,774	\$ 4,000,590	\$ 3,869,274
Contributions in relation to the contractually required contribution	<u>3,918,774</u>	<u>4,000,590</u>	<u>3,869,274</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Deming Public Schools covered-employee payroll	\$ 28,192,609	\$ 28,779,050	\$ 27,836,551
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	13.90%

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

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

STATE OF NEW MEXICO
Deming Public Schools
Notes to Required Supplementary Information
June 30, 2017

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 2015 actuarial calculation of the total pension liability on June 12, 2015:

- 1) Lower wage inflation from 4.25% to 3.75%
- 2) Update the mortality tables to incorporate generational improvements
- 3) Update demographic assumptions to use currently published tables, which may result in minor calculation changes
- 4) 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.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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STATE OF NEW MEXICO
Deming Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

Special Revenue Funds

ALL FEDERAL FUNDS – The Special Revenue Funds are used to account for grant funds received from the U.S. Department of Education through the New Mexico Public Education Department. These funds are to be used for purposes specified in the grant awards and may not be used for any other purpose.

Athletics (22000) – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

Non-Instructional Education Support (23000) - To account for funds paid to the Schools for student activity travel. Accumulated funds are used to replace activity buses. Funding authority is the New Mexico Public Education Department.

Title I- IASA (24101) – This fund is used 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.

Migrant Children Education (24103) – To account for federal sources administered by the New Mexico State Public Education Department to provide for special education needs of children of migratory agricultural workers. Authority for the creation of this fund is (P.L. 100-297).

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.

Preschool IDEA-B (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all disabled children from ages three to five. Federal revenues accounted for in this fund are allocated to the Schools through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is the Individuals with Disabilities Education Act (IDEA), Part B, Section 619, as amended, 20 U.S.C. 1419.

Education of Homeless (24113) – To provide tutoring and remedial academic services to homeless children and youth within the District. Funding is by the McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.

Fresh Fruits and Vegetables (24118) – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

IDEA-B Results Plan (24132) - The purpose of this grant award is to support activities included in the school's Education Plan for Student Success, or areas in need of improvement, identified through the instructional audit. The program is funded by the United States government, under the Individuals with Disabilities Act, Public Law 108-446 Part B.

STATE OF NEW MEXICO
Deming Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

Special Revenue Funds (continued)

English Language Acquisition (24153) – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. Authority for creation of this fund is the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101, 3129.

Teacher/Principal Training/Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science and also to increase the accessibility of such instruction to all students. Authority for creation of this fund is the Rehabilitation Act of 1973, as amended, Title III, Section 303(b)-(d). 20 U.S.C. 777a and 797a.

Rural & Low Income Schools (24160) – To account for funds used to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authorized by Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Title I School Improvement (24162) - To provide supplemental educational opportunity for academically disadvantaged children in the area residing. 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 identifies 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 Department of Education. 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.

Carl D. Perkins Secondary Current (24174) Carl D. Perkins Redistribution (24176) – The objective of this grant is to provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Funds are acquired from federal sources through the New Mexico Public Education Department. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as amended, Public Law 105-332.

USHHA/CDC School Health (24186) – To account for funds used to promote adolescent health through school-based Human Immunodeficiency Virus (HIV) / sexually transmitted infections prevention and school-based surveillance program in the state of New Mexico as part of the Youth Resiliency Project. Authorized by U.S. Centers for Disease Control (5-U87PS004195-02).

Title XIX Medicaid (25153) – This fund is used to account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for the creation of this fund is the Social Security Act, Title XIX, as amended; Public Laws 89-97, 90-248, and 91-56; 42 U.S.C. 1396 et seq., as amended; Public Law 92-223; Public Law 92-603; Public Law 93-66; Public Law 93-233; Public Law 96-499; Public Law 97-35; Public Law 97-248; Public Law 98-369; Public Law 99-272; Public Law 99-509; Public Law 100-93; Public Law 100-202; Public Law 100-203; Public Law 100-360; Public Law 100-436; Public Law 100-485; Public Law 100-647; Public Law 101-166; Public Law 101-234; Public Law 101-239; Public Law 101-508; Public Law 101-517; Public Law 102-234; Public Law 102-170; Public Law 102-394; Public Law 103-66; Public Law 103-112; Public Law 103-333; Public Law 104-91; Public Law 104-191; Public Law 104-193; Public Law 104-208, 104-134; Balanced Budget Act of 1997, Public Law 105-33; Public Law 106-113; Public Law 106-554; Public Law 108-27; Public Law 108-173; Public Law 109-91; Public Law 109-171; Public Law 109-432; Public Law 110-28.

STATE OF NEW MEXICO
Deming Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

Special Revenue Funds (continued)

ROTC (25200) – To provide financial assistance to School Districts to reimburse a portion of the salaries paid to R.O.T.C. instructors. The funding is provided by the U.S. Marine Corps.

Golden Apple Foundation (26163) – The purpose of this fund is to account for a program designed to improve the quality of education for all children through recognition, recruitment, and professional development of outstanding teachers. This funding is provided by a private grant with Wells Fargo Golden Apple Foundation Teacher Partner Grant and authorized by the New Mexico Public Education Department.

Emergency Food/Shelter National (25246) – This fund is used to account for federal resources administered by the New Mexico State Department of Education to provide for supportive services to the needy. (P.L. 100-77).

Dual Credit Instructional Materials (27103) – SB943 (2007) and SB31 (2008) create a dual credit program that allows public high school students in school districts, charter schools and state-supported schools in the state to earn both high school and college credit for qualifying dual credit courses. Authority for the creation of this fund is the New Mexico Public Education Department.

New Mexico Reads to Lead (27114) – This fund is used to purchase core reading program materials for grades K-5 in alignment with Common Core State Standards. Authority for the creation of this fund is the New Mexico Public Education Department.

Technology for Education PED (27117) - The purpose of this grant is to assist the District to develop and implement a strategic, long-term plan for utilizing educational technology in the school system. Funds accounted for in this fund are received from the State of New Mexico. The authority for creation of this fund is NMSA 22-ISA-1to22-ISA-10.

Computerized Learning System (27123) – To account for funds received to purchase computer software. The fund was created by State grant provisions.

Truancy CYFD (27139) – To reduce the number of truant children and adolescents because truancy can be a first step to a lifetime of unemployment, crime, and incarceration.

Truancy Initiative PED (27141) – To hire Truancy and Dropout Prevention Coaches with appropriate state licensure. The coaches will monitor and report on the performance of each school assigned a coach. The reporting will include information about truancy and dropout statistics, as well as documentation about various events and programming provided by the school as related to truancy and dropout prevention.

PreK Initiative (27149) – To account for funds received to prepare children for success in school, begin to close the achievement gap between students, and help meet the vision of a seamless education system – Pre-Kindergarten through higher education. Authority for the creation of this fund is the New Mexico Public Education Department.

Breakfast for Elementary Students (27155) – To account for Legislative Appropriation to implement Breakfast in the Classroom for elementary schools in need of improvement based on AYP designation. Authority for the creation of this fund is the New Mexico Public Education Department.

School Improvement Framework (27164) – The grant was awarded as a result of meeting adequate yearly progress for two consecutive years. These funds are to be used for library materials.

Kindergarten - Three Plus (27166) – The funding is part of a pilot project for Kindergarten through third grade students at both Ann Parish Elementary and Desert View Elementary. Funds used for teachers, educational assistants, nurses, an academic coach, and PE coach at both schools. HB 198 Laws 2007 Parkinson/Paolillo.

STATE OF NEW MEXICO
Deming Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

Special Revenue Funds (continued)

After School Enrichment Program (27168) – The purpose of this grant is to help impact achievement gaps in selected programs by providing students hands on experience in physical and nutrition activities. This fund was created by the New Mexico Public Education Department.

2013 School Bus (27178) – To account for an award to purchase or replace school buses. The authority for creation of this fund is the New Mexico Public Education Department.

New Mexico Grown FFV (27183) – These funds are to be used to purchase locally grown New Mexico fresh fruits and vegetables, to be made available at no charge to students. Authority for creation of this fund is House Bill 2, General Appropriations as of 2013.

Teachers “Hard to Staff” Stipend (27195) – To provide a \$5,000 stipend per year to qualified STEM (grades 7-12), Special Education (K-12), Bilingual (K-12) or other hard-to-staff teaching positions to serve in low performing (D/F), urban or rural schools. These funds can be used as a stipend to recruit these hard-to-staff experts to teach in hard to staff schools or to attract and retain these teachers in low-performing schools.

GRADS – Instruction (28190) – To assist in the cost for caps and gowns for students who are graduating. Authority for the creation of this fund is the New Mexico Public Education Department.

Grads Plus (28203) – To account for a program as an instructional component for teenage parents to be used for summer case management and GRADS case management period. Special Revenue fund established by the local school board.

Private Dir Grants (Categorical) (29102) – To account for local grants awarded to provide additional funding for specific projects.

City /County Grant (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.

Math, Engineering, Science & Achievement (29110) - To account for a grant awarded to provide funding for math, engineering and science projects.

School Based Health Centers (29130) - To account for funds administered by the Department of Health and Luna County in support of providing Primary Care and Mental Health Service on school campus.

Wind Farm Projects (29134) - This fund is used to account for wind farm payment in lieu of property taxes revenue. The fund was created by definition.

Capital Projects Funds

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

Education Technology Equipment Act (31900) – To ensure that American children have skills they need to succeed in the information-intensive 21st century, the federal government is committed to working with the private sector to promote four major developments in American education: making modern computer technology an integral part of every classroom; providing information infrastructure; and encouraging the creation of excellent educational software. The authority for the creation of this fund is the Federal Property and Administrative Services Act of 1949, Ch. 288, 63 Stat 377, and the National Defense Authorization Act for the fiscal year 1996, Public Law 104-106.

STATE OF NEW MEXICO
Deming Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

Debt Service Funds

Ed Tech Debt Service (43000) – To account for the accumulation of financial resources for, and the payment of, general long-term debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Deming Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Athletics	Non- Instructional	Title I - IASA	Migrant Children
	22000	Support 23000	24101	Education 24103
<i>Assets</i>				
Cash and cash equivalents	\$ 23,129	\$ 367,109	\$ -	\$ -
Receivables:				
Due from other governments	-	-	926,579	28,646
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 23,129</u>	<u>\$ 367,109</u>	<u>\$ 926,579</u>	<u>\$ 28,646</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 679	\$ 109	\$ 167
Accrued payroll	-	-	142,431	7,875
Accrued compensated absences	-	-	-	-
Due to other funds	-	-	784,039	20,604
<i>Total liabilities</i>	<u>-</u>	<u>679</u>	<u>926,579</u>	<u>28,646</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - grants	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	23,129	366,430	-	-
Education	-	-	-	-
Capital acquisitions and improvements	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>23,129</u>	<u>366,430</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 23,129</u>	<u>\$ 367,109</u>	<u>\$ 926,579</u>	<u>\$ 28,646</u>

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

Special Revenue

Entitlement IDEA-B 24106	IDEA-B Preschool 24109	Education of Homeless 24113	Fresh Fruit and Vegetables 24118	IDEA-B Results Plan 24132	English Language Acquisition 24153
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
242,943	222	2,951	-	10,000	55,416
-	-	-	-	-	-
<u>\$ 242,943</u>	<u>\$ 222</u>	<u>\$ 2,951</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 55,416</u>
\$ 12,194	\$ -	\$ 14	\$ -	\$ -	\$ -
36,254	-	-	-	-	-
-	-	-	-	-	-
194,495	222	2,937	-	10,000	55,416
242,943	222	2,951	-	10,000	55,416
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 242,943</u>	<u>\$ 222</u>	<u>\$ 2,951</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 55,416</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Teacher/ Principal Training /Recruiting 24154	Rural & Low Income Schools 24160	Title I - School Improvement 24162	Carl D. Perkins Secondary Current 24174
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Due from other governments	33,404	1,672	-	9,023
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 33,404</u>	<u>\$ 1,672</u>	<u>\$ -</u>	<u>\$ 9,023</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 2,247	\$ -	\$ -	\$ -
Accrued payroll	8,092	-	-	-
Accrued compensated absences	-	-	-	-
Due to other funds	23,065	1,672	-	6,267
<i>Total liabilities</i>	<u>33,404</u>	<u>1,672</u>	<u>-</u>	<u>6,267</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - grants	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	-	-	-	-
Education	-	-	-	2,756
Capital acquisitions and improvements	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,756</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 33,404</u>	<u>\$ 1,672</u>	<u>\$ -</u>	<u>\$ 9,023</u>

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

Special Revenue

Carl D. Perkins Redistribution 24176	USHHA/CDC School Health 24186	Title XIX Medicaid 25153	ROTC 25200	Emergency Food/Shelter National 25246	Dual Credit Instructional Materials 27103
\$ -	\$ -	\$ 118,253	\$ 195	\$ -	\$ -
5,897	1,834	-	2,436	-	1,273
-	-	-	-	-	-
<u>\$ 5,897</u>	<u>\$ 1,834</u>	<u>\$ 118,253</u>	<u>\$ 2,631</u>	<u>\$ -</u>	<u>\$ 1,273</u>
\$ 239	\$ -	\$ 141	\$ -	\$ -	\$ -
467	-	7,583	2,631	-	-
-	-	-	-	-	-
5,191	1,834	-	-	3,485	1,273
<u>5,897</u>	<u>1,834</u>	<u>7,724</u>	<u>2,631</u>	<u>3,485</u>	<u>1,273</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(3,485)	-
-	-	110,529	-	(3,485)	-
<u>\$ 5,897</u>	<u>\$ 1,834</u>	<u>\$ 118,253</u>	<u>\$ 2,631</u>	<u>\$ -</u>	<u>\$ 1,273</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	New Mexico Reads to Lead 27114	Teaching for Education PED 27117	Computerized Learning System 27123	Truancy CYFD 27139
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Due from other governments	3,491	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	\$ 3,491	\$ -	\$ -	\$ -
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Accrued compensated absences	-	-	-	-
Due to other funds	3,491	-	-	-
<i>Total liabilities</i>	3,491	-	-	-
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - grants	-	-	-	-
<i>Total deferred inflows of resources</i>	-	-	-	-
<i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Capital acquisitions and improvements	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	-	-	-	-
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 3,491	\$ -	\$ -	\$ -

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

Special Revenue

Truancy Initiative-PED 27141	PreK Initiative 27149	Breakfast for Elementary Students 27155	School Improvement Framework 27164	Kindergarten Three Plus 27166	After School Enrichment Program 27168
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25,379	164,892	-	-	104,770	28,340
-	-	-	-	-	-
<u>\$ 25,379</u>	<u>\$ 164,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,770</u>	<u>\$ 28,340</u>
\$ -	\$ 37	\$ -	\$ -	\$ 15,657	\$ -
6,056	25,315	-	-	18,581	-
-	-	-	-	-	-
19,323	139,540	-	-	70,532	28,340
25,379	164,892	-	-	104,770	28,340
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 25,379</u>	<u>\$ 164,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,770</u>	<u>\$ 28,340</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	2013 School Bus 27178	NM Grown FFV 27183	Teachers "Hard to Staff" Stipend 27195	GRADS - Instruction 28190
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Due from other governments	83,159	-	70,655	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 83,159</u>	<u>\$ -</u>	<u>\$ 70,655</u>	<u>\$ -</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Accrued compensated absences	-	-	-	-
Due to other funds	83,159	-	70,655	-
<i>Total liabilities</i>	<u>83,159</u>	<u>-</u>	<u>70,655</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - grants	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Capital acquisitions and improvements	-	-	-	-
Debt service	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 83,159</u>	<u>\$ -</u>	<u>\$ 70,655</u>	<u>\$ -</u>

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

Special Revenue

GRADS Plus 28203	Private Dir Grants (Catergorical) 29102	City/County Grants 29107	Math, Engineering, Science & Achievement 29110	School Based Health Center 29130	Wind Farm Projects 29134
\$ 17,767	\$ 4,662	\$ 46,896	\$ 1,609	\$ 37,130	\$ 439,642
-	-	-	-	-	-
-	-	-	-	-	-
\$ 17,767	\$ 4,662	\$ 46,896	\$ 1,609	\$ 37,130	\$ 439,642
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	899	-	-	-
-	-	-	-	-	5,717
-	-	-	-	-	-
-	-	899	-	-	5,717
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STATE OF NEW MEXICO
Deming Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

Statement A-1
Page 5 of 5

	<u>Capital Projects</u>		<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Capital Improvements SB-9 31700</u>	<u>Education Technology Equipment Act 31900</u>	<u>Ed Tech Debt Service 43000</u>	
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 759,574	\$ 184,897	\$ 2,000,863
Receivables:				
Due from other governments	461,368	-	-	2,264,350
Due from other funds	39,524	-	-	39,524
<i>Total assets</i>	<u>\$ 500,892</u>	<u>\$ 759,574</u>	<u>\$ 184,897</u>	<u>\$ 4,304,737</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 6,035	\$ -	\$ 37,519
Accrued payroll	-	-	-	261,901
Accrued compensated absences	-	-	-	-
Due to other funds	461,368	189,700	-	2,176,608
<i>Total liabilities</i>	<u>461,368</u>	<u>195,735</u>	<u>-</u>	<u>2,476,028</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - grants	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	-	-	-	389,559
Education	-	-	-	183,320
Capital acquisitions and improvements	39,524	563,839	-	1,074,418
Debt service	-	-	184,897	184,897
Unassigned	-	-	-	(3,485)
<i>Total fund balances</i>	<u>39,524</u>	<u>563,839</u>	<u>184,897</u>	<u>1,828,709</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 500,892</u>	<u>\$ 759,574</u>	<u>\$ 184,897</u>	<u>\$ 4,304,737</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	Athletics 22000	Non- Instructional Support 23000	Title I - IASA 24101	Migrant Children Education 24103
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	3,458,933	215,679
Federal direct	-	-	-	-
Local sources	-	-	165	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	48,695	180,667	-	-
Investment income	-	432	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>48,695</u>	<u>181,099</u>	<u>3,459,098</u>	<u>215,679</u>
<i>Expenditures</i>				
Current:				
Instruction	17,121	160,388	2,721,774	105,406
Support services - students	-	-	348,533	98,422
Support services - instruction	-	-	219,070	-
Support services - general administration	-	-	100,723	5,707
Support services - school administration	-	-	1,519	-
Central services	-	-	65,925	-
Operation and maintenance of plant	-	-	90	2,356
Student transportation	-	-	1,432	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>17,121</u>	<u>160,388</u>	<u>3,459,066</u>	<u>211,891</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>31,574</u>	<u>20,711</u>	<u>32</u>	<u>3,788</u>
<i>Other financing sources (uses)</i>				
Remittal of prior year fund balance	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	31,574	20,711	32	3,788
<i>Fund balances - beginning</i>	<u>(8,445)</u>	<u>345,719</u>	<u>(32)</u>	<u>(3,788)</u>
<i>Fund balances - end of year</i>	<u>\$ 23,129</u>	<u>\$ 366,430</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue

Entitlement IDEA-B 24106	IDEA-B Preschool 24109	Education of Homeless 24113	Fresh Fruit and Vegetables 24118	IDEA-B Results Plan 24132	English Language Acquisition 24153
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,021,548	6,871	36,856	137,099	29,375	106,998
-	-	-	-	-	-
70	1	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,021,618</u>	<u>6,872</u>	<u>36,856</u>	<u>137,099</u>	<u>29,375</u>	<u>106,998</u>
546,261	6,632	33,977	-	29,375	94,032
414,311	-	2,186	-	-	10,133
-	-	-	-	-	-
27,381	195	-	-	-	2,833
-	-	-	-	-	-
20,215	-	-	-	-	-
7,590	45	654	-	-	-
-	-	39	-	-	-
-	-	-	137,099	-	-
-	-	-	-	-	-
<u>1,015,758</u>	<u>6,872</u>	<u>36,856</u>	<u>137,099</u>	<u>29,375</u>	<u>106,998</u>
<u>5,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,860	-	-	-	-	-
<u>(5,860)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	Teacher/ Principal Training /Recruiting 24154	Rural & Low Income Schools 24160	Title I - School Improvement 24162	Carl D. Perkins Secondary Current 24174
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	240,006	111,147	193,339	64,441
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	240,006	111,147	193,339	64,441
<i>Expenditures</i>				
Current:				
Instruction	231,713	109,475	193,339	60,052
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	8,293	1,672	-	1,633
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	240,006	111,147	193,339	61,685
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	2,756
<i>Other financing sources (uses)</i>				
Remittal of prior year fund balance	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<i>Net change in fund balances</i>	-	-	-	2,756
<i>Fund balances - beginning</i>	-	-	-	-
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ -	\$ 2,756

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

Special Revenue

Carl D. Perkins Redistribution 24176	USHHA/CDC School Health 24186	Title XIX Medicaid 25153	ROTC 25200	Emergency Food/Shelter National 25246	Dual Credit Instructional Materials 27103
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10,667	4,250	167,739	26,413	-	-
-	-	-	-	750	-
-	-	-	-	2,750	-
-	-	-	-	-	8,490
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,667</u>	<u>4,250</u>	<u>167,739</u>	<u>26,413</u>	<u>3,500</u>	<u>8,490</u>
10,480	4,250	1	26,413	6,985	8,490
-	-	118,008	-	-	-
-	-	-	-	-	-
187	-	-	-	-	-
-	-	-	-	-	-
-	-	1,696	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,667</u>	<u>4,250</u>	<u>119,705</u>	<u>26,413</u>	<u>6,985</u>	<u>8,490</u>
-	-	48,034	-	(3,485)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	48,034	-	(3,485)	-
-	-	62,495	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,529</u>	<u>\$ -</u>	<u>\$ (3,485)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	New Mexico Reads to Lead 27114	Teaching for Education PED 27117	Computerized Learning System 27123	Truancy CYFD 27139
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	160,100	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	160,100	-	-	-
<i>Expenditures</i>				
Current:				
Instruction	205,984	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	205,984	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	(45,884)	-	-	-
<i>Other financing sources (uses)</i>				
Remittal of prior year fund balance	-	(142,170)	(109)	(1,381)
Transfers (out)	-	-	-	-
Total other financing sources (uses)	-	(142,170)	(109)	(1,381)
Net change in fund balances	(45,884)	(142,170)	(109)	(1,381)
<i>Fund balances - beginning</i>	45,884	142,170	109	1,381
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ -	\$ -

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

Special Revenue

Truancy Initiative-PED 27141	PreK Initiative 27149	Breakfast for Elementary Students 27155	School Improvement Framework 27164	Kindergarten Three Plus 27166	After School Enrichment Program 27168
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1	-
99,905	820,971	2,402	-	812,271	45,426
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>99,905</u>	<u>820,971</u>	<u>2,402</u>	<u>-</u>	<u>812,272</u>	<u>45,426</u>
-	745,299	-	-	685,121	45,426
99,905	-	-	-	30,974	-
-	-	-	-	-	-
-	74,484	-	-	55,054	-
-	-	-	-	-	-
-	-	-	-	13,215	-
-	-	-	-	27,908	-
-	-	2,402	-	-	-
-	-	-	-	-	-
<u>99,905</u>	<u>819,783</u>	<u>2,402</u>	<u>-</u>	<u>812,272</u>	<u>45,426</u>
-	1,188	-	-	-	-
-	-	-	(6,600)	-	-
-	-	-	-	-	-
-	-	-	<u>(6,600)</u>	-	-
-	1,188	-	(6,600)	-	-
-	<u>(1,188)</u>	-	<u>6,600</u>	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	2013 School Bus 27178	NM Grown FFV 27183	Teachers "Hard to Staff" Stipend 27195	GRADS - Instruction 28190
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	83,159	5,560	142,762	-
State direct	-	-	-	6,500
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	83,159	5,560	142,762	6,500
<i>Expenditures</i>				
Current:				
Instruction	-	-	142,762	6,500
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	83,159	-	-	-
Food services operations	-	5,560	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	83,159	5,560	142,762	6,500
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Remittal of prior year fund balance	-	-	-	(25,665)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	(25,665)
<i>Net change in fund balances</i>	-	-	-	(25,665)
<i>Fund balances - beginning</i>	-	-	-	25,665
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ -	\$ -

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

Special Revenue

GRADS Plus 28203	Private Dir Grants (catergorical) 29102	City/County Grants 29107	Math, Engineering, Science & Achievement 29110	School Based Health Center 29130	Wind Farm Projects 29134
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	80,000	-	-	-
4,827	-	-	-	-	-
-	-	-	-	-	-
-	-	314	-	-	-
-	-	-	-	-	421,634
<u>4,827</u>	<u>-</u>	<u>80,314</u>	<u>-</u>	<u>-</u>	<u>421,634</u>
10,472	616	128,667	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	55
-	-	-	-	-	174,046
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,472</u>	<u>616</u>	<u>128,667</u>	<u>-</u>	<u>-</u>	<u>174,101</u>
<u>(5,645)</u>	<u>(616)</u>	<u>(48,353)</u>	<u>-</u>	<u>-</u>	<u>247,533</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(5,645)</u>	<u>(616)</u>	<u>(48,353)</u>	<u>-</u>	<u>-</u>	<u>247,533</u>
<u>23,412</u>	<u>5,278</u>	<u>94,350</u>	<u>1,609</u>	<u>37,130</u>	<u>186,392</u>
<u>\$ 17,767</u>	<u>\$ 4,662</u>	<u>\$ 45,997</u>	<u>\$ 1,609</u>	<u>\$ 37,130</u>	<u>\$ 433,925</u>

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

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STATE OF NEW MEXICO
Deming Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

Statement A-2
Page 5 of 5

	<u>Capital Projects</u>		<u>Debt Service</u>	Total Nonmajor Governmental Funds
	Capital Improvements SB-9 31700	Education Technology Equipment Act 31900	Ed Tech Debt Service 43000	
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ 18,507	\$ 18,507
Intergovernmental revenue:				
Federal flowthrough	461,368	-	-	6,292,729
Federal direct	-	-	-	750
Local sources	-	-	-	82,987
State flowthrough	481,682	-	-	2,662,728
State direct	-	-	-	11,327
Charges for services	-	-	-	229,362
Investment income	-	-	-	746
Miscellaneous income	-	-	-	421,634
Total revenues	943,050	-	18,507	9,720,770
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	6,337,011
Support services - students	-	-	-	1,122,472
Support services - instruction	-	-	-	219,070
Support services - general administration	-	-	122	148,746
Support services - school administration	-	-	-	131,057
Central services	-	-	-	86,195
Operation and maintenance of plant	-	-	-	199,692
Student transportation	-	-	-	112,538
Food services operations	-	-	-	145,061
Capital outlay	943,052	571,396	-	1,514,448
Total expenditures	943,052	571,396	122	10,016,290
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2)</u>	<u>(571,396)</u>	<u>18,385</u>	<u>(295,520)</u>
<i>Other financing sources (uses)</i>				
Remittal of prior year fund balance	-	-	-	(175,925)
Transfers (out)	(3,002,480)	-	-	(3,002,480)
Total other financing sources (uses)	(3,002,480)	-	-	(3,178,405)
Net change in fund balances	(3,002,482)	(571,396)	18,385	(3,473,925)
<i>Fund balances - beginning</i>	<u>3,042,006</u>	<u>1,135,235</u>	<u>166,512</u>	<u>5,302,634</u>
<i>Fund balances - end of year</i>	<u>\$ 39,524</u>	<u>\$ 563,839</u>	<u>\$ 184,897</u>	<u>\$ 1,828,709</u>

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

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GENERAL FUND

STATE OF NEW MEXICO
Deming Public Schools
Combining Balance Sheet
General Fund
June 30, 2017

Statement B-1

	Operating 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 1,015,739	\$ 30,128	\$ 198,805	\$ 1,244,672
Investments	698,160	-	-	698,160
Receivables:				
Property taxes	54,825	-	-	54,825
Inventory	224,653	-	-	224,653
Due from other funds	1,986,908	-	-	1,986,908
<i>Total assets</i>	<u>\$ 3,980,285</u>	<u>\$ 30,128</u>	<u>\$ 198,805</u>	<u>\$ 4,209,218</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 188,580	\$ 1,020	\$ 232,320	\$ 421,920
Accrued payroll	1,405,897	30,127	-	1,436,024
<i>Total liabilities</i>	<u>1,650,983</u>	<u>31,147</u>	<u>232,320</u>	<u>1,914,450</u>
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	48,309	-	-	48,309
<i>Total deferred inflows of resources</i>	<u>48,309</u>	<u>-</u>	<u>-</u>	<u>48,309</u>
 <i>Fund Balances</i>				
Nonspendable:				
Inventory	224,653	-	-	224,653
Spendable:				
Committed for:				
Subsequent year's expenditures	-	-	-	-
Unassigned	2,056,340	(1,019)	(33,515)	2,021,806
<i>Total fund balances</i>	<u>2,280,993</u>	<u>(1,019)</u>	<u>(33,515)</u>	<u>2,246,459</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u>\$ 3,980,285</u>	 <u>\$ 30,128</u>	 <u>\$ 198,805</u>	 <u>\$ 4,209,218</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2017

Statement B-2

	Operating	Pupil	Instructional	
	11000	Transportation	Materials	
	11000	13000	14000	Total
<i>Revenues</i>				
Property taxes	\$ 288,644	\$ -	\$ -	\$ 288,644
Intergovernmental revenue				
Federal flowthrough	137,498	-	-	137,498
Local sources	416,494	-	-	416,494
State direct	37,167,043	-	370,476	37,537,519
Transportation distribution	-	1,769,246	-	1,769,246
Investment income	4,954	-	-	4,954
<i>Total revenues</i>	<u>38,587,411</u>	<u>1,769,246</u>	<u>370,476</u>	<u>40,727,133</u>
<i>Expenditures</i>				
Current				
Instruction	22,635,754	-	519,734	23,155,488
Support services - students	3,723,940	-	-	3,723,940
Support services - instruction	1,400,706	-	-	1,400,706
Support services - general administrati	1,155,704	-	-	1,155,704
Support services - school administratio	2,755,184	-	-	2,755,184
Central services	1,254,048	-	-	1,254,048
Operation and maintenance plant	5,551,926	-	-	5,551,926
Student transportation	573,633	1,763,313	-	2,336,946
Other support services	138	-	-	138
<i>Total expenditures</i>	<u>39,051,033</u>	<u>1,763,313</u>	<u>519,734</u>	<u>41,334,080</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(463,622)</u>	<u>5,933</u>	<u>(149,258)</u>	<u>(606,947)</u>
<i>Other financing sources (uses)</i>				
Proceeds from sale of capital assets	648,951	-	-	648,951
<i>Total other financing sources (uses)</i>	<u>648,951</u>	<u>-</u>	<u>-</u>	<u>648,951</u>
<i>Net change in fund balances</i>	185,329	5,933	(149,258)	42,004
<i>Fund balances - beginning of year</i>	<u>2,095,664</u>	<u>(6,952)</u>	<u>115,743</u>	<u>2,204,455</u>
<i>Fund balances - end of year</i>	<u>\$ 2,280,993</u>	<u>\$ (1,019)</u>	<u>\$ (33,515)</u>	<u>\$ 2,246,459</u>

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

STATE OF NEW MEXICO

Statement B-3

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, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 274,828	\$ 274,828	\$ 286,798	\$ 11,970
Intergovernmental revenue				
Federal flowthrough	200,000	200,000	137,498	(62,502)
Local sources	(125,000)	(125,000)	416,496	541,496
State direct	37,704,942	37,142,558	37,167,043	24,485
Investment income	2,000	2,000	4,954	2,954
<i>Total revenues</i>	<u>38,027,120</u>	<u>37,464,736</u>	<u>38,585,567</u>	<u>1,120,831</u>
<i>Expenditures</i>				
Current:				
Instruction	22,880,765	22,650,632	22,709,242	(58,610)
Support services - students	3,926,818	3,711,051	3,678,727	32,324
Support services - instruction	2,053,055	1,806,934	1,558,593	248,341
Support services - general administration	1,081,748	1,033,072	1,033,072	-
Support services - school administration	2,749,663	2,749,663	2,749,663	-
Central services	1,266,185	1,199,240	1,199,240	-
Operation and maintenance of plant	6,042,087	6,020,858	5,560,961	459,897
Student transportation	310,054	576,541	576,541	-
Other support services	62,963	62,963	138	62,825
<i>Total expenditures</i>	<u>40,373,338</u>	<u>39,810,954</u>	<u>39,066,177</u>	<u>744,777</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,346,218)</u>	<u>(2,346,218)</u>	<u>(480,610)</u>	<u>1,865,608</u>
<i>Other financing sources (uses)</i>				
Designated cash balance (budgeted increase in cash)	2,343,218	2,343,218	-	(2,343,218)
Proceeds from sale of capital assets	3,000	3,000	648,951	645,951
<i>Total other financing sources (uses)</i>	<u>2,346,218</u>	<u>2,346,218</u>	<u>648,951</u>	<u>(1,697,267)</u>
<i>Net change in fund balance</i>	-	-	168,341	168,341
<i>Fund balance - beginning of year</i>	-	-	2,126,569	2,126,569
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,294,910</u>	<u>\$ 2,294,910</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 168,341
Adjustments to revenues for taxes and intergovernmental revenue				1,844
Adjustments to expenditures for supplies and payroll expenditures				15,144
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 185,329</u>

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

STATE OF NEW MEXICO
Deming Public Schools
Pupil Transportation Fund (13000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

Statement B-4

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental revenue				
Transportation distribution	\$ 2,035,733	\$ 1,769,246	\$ 1,769,246	\$ -
<i>Total revenues</i>	<u>2,035,733</u>	<u>1,769,246</u>	<u>1,769,246</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Student transportation	2,035,733	1,769,246	1,769,246	-
<i>Total expenditures</i>	<u>2,035,733</u>	<u>1,769,246</u>	<u>1,769,246</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash balance (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ -
No adjustments to expenditures				<u>5,933</u>
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 5,933</u>

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

STATE OF NEW MEXICO
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, 2017

Statement B-5

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental revenue				
State direct	\$ 291,110	\$ 291,110	\$ 370,476	\$ 79,366
<i>Total revenues</i>	<u>291,110</u>	<u>291,110</u>	<u>370,476</u>	<u>79,366</u>
<i>Expenditures</i>				
Current				
Instruction	291,110	291,110	287,414	3,696
<i>Total expenditures</i>	<u>291,110</u>	<u>291,110</u>	<u>287,414</u>	<u>3,696</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>83,062</u>	<u>83,062</u>
<i>Other financing sources (uses)</i>				
Designated cash balance (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	83,062	83,062
<i>Fund balance - beginning of year</i>	-	-	115,743	115,743
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,805</u>	<u>\$ 198,805</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 83,062
Adjustments to expenditures for instructional materials				<u>(232,320)</u>
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (149,258)</u>

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO

Deming Public Schools

Schedule of Deposits

June 30, 2017

<u>Bank Account Type/ Name</u>	<u>First New Mexico Bank</u>	<u>First Savings Bank</u>	<u>Wells Fargo Bank</u>	<u>Wells Fargo Investments</u>
Federal Account #1 - Checking	\$ 704,936	\$ -	\$ -	\$ -
Federal Account #2 - Checking	258,455	-	-	-
Cafeteria Account - Checking	5,106,885	-	-	-
SB9 Account #1 - Checking	2,292,826	-	-	-
SB9 Account #2 - Checking	614,167	-	-	-
Debt Service Account - Checking	3,341,342	-	-	-
Gate Receipts Account - Checking	448,098	-	-	-
General Activity Account - Checking	207,087	-	-	-
Operational Account #1 - Checking	257,867	2,959,237	24,688	-
Operational Account #2 - Checking	153,279	-	-	-
Building Fund 1991 - Checking	-	-	2,692,826	-
Investment Account	-	-	-	10,206,765
Local Government Investment Pool	-	-	-	-
Total	<u>\$ 13,384,942</u>	<u>\$ 2,959,237</u>	<u>\$ 2,717,514</u>	<u>\$ 10,206,765</u>

See independent auditors' report.

<u>Moreton Investments</u>	<u>State of New Mexico Treasurer</u>	<u>Total</u>
\$ -	\$ -	\$ 704,936
-	-	258,455
-	-	5,106,885
-	-	2,292,826
-	-	614,167
-	-	3,341,342
-	-	448,098
-	-	207,087
-	-	3,241,792
-	-	153,279
-	-	2,692,826
4,516,172	-	14,722,937
-	707,999	707,999
\$ 4,516,172	\$ 707,999	34,492,629
	Reconciling items	(3,359,097)
	<i>Reconciled balance June 30, 2017</i>	31,133,532
	Less: investments per Exhibit A-1	(698,160)
	Less: restricted investments per Exhibit A-1	(14,732,776)
	Less: restricted cash per Exhibit A-1	(7,984,021)
	Less: agency cash per Exhibit D-1	(255,974)
	<i>Cash and cash equivalents per Exhibit A-1</i>	\$ 7,462,601

See independent auditors' report.

STATE OF NEW MEXICO
Deming Public Schools
Cash Reconciliation
For the Year Ended June 30, 2017

	Operational 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000
PED cash June 30, 2016	\$ 799,271	\$ 12,190	\$ 120,742	\$ 3,919,661
Add:				
2016-2017 receipts	38,736,193	1,769,246	370,476	4,765,471
Repayment of loans	1,416,967	-	-	-
Total cash available	<u>40,952,431</u>	<u>1,781,436</u>	<u>491,218</u>	<u>8,685,132</u>
Less:				
2016-2017 expenditures	(39,122,795)	(1,781,435)	(292,413)	(3,582,759)
Repayment of prior year loans	-	-	-	-
Repayment of prior fund balances	-	-	-	-
Cash per PED	<u>1,829,636</u>	<u>1</u>	<u>198,805</u>	<u>5,102,373</u>
Add / Less:				
Loans for negative cash	(1,930,402)	-	-	-
Investments	(698,149)	-	-	-
Audit Adjustments	408,757	-	-	-
Held checks	1,405,897	30,127	-	59,164
<i>Cash per financial statement</i>	<u>\$ 1,015,739</u>	<u>\$ 30,128</u>	<u>\$ 198,805</u>	<u>\$ 5,161,537</u>

See independent auditors' report.

Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000
\$ 549	\$ 350,221	\$ 136,369	\$ 72,957	\$ 294
48,695	181,103	6,736,852	194,821	-
-	-	-	-	-
<u>49,244</u>	<u>531,324</u>	<u>6,873,221</u>	<u>267,778</u>	<u>294</u>
(26,115)	(164,215)	(5,707,417)	(154,062)	-
-	-	(2,466,665)	-	(294)
-	-	-	-	-
<u>23,129</u>	<u>367,109</u>	<u>(1,300,861)</u>	<u>113,716</u>	<u>-</u>
-	-	1,105,742	3,485	-
-	-	-	-	-
-	-	-	(8,965)	-
-	-	195,119	10,212	-
<u>\$ 23,129</u>	<u>\$ 367,109</u>	<u>\$ -</u>	<u>\$ 118,448</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
Deming Public Schools
Cash Reconciliation
For the Year Ended June 30, 2017

	State Flowthrough 27000	State Direct 28000	Local or State Fund 29000	Bond Building 31100
PED cash June 30, 2016	\$ 187,624	\$ 53,049	\$ 329,702	\$ 15,629,877
Add:				
2016-2017 receipts	2,137,736	11,327	501,948	10,708,828
Repayment of loans	-	-	-	-
Total cash available	<u>2,325,360</u>	<u>64,376</u>	<u>831,650</u>	<u>26,338,705</u>
Less:				
2016-2017 expenditures	(2,315,615)	(46,453)	(303,384)	(10,971,649)
Repayment of prior year loans	(438,650)	(156)	(4,944)	-
Repayment of prior fund balances	<u>(37,361)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash per PED	<u>(466,266)</u>	<u>17,767</u>	<u>523,322</u>	<u>15,367,056</u>
Add / Less:				
Loans for negative cash	416,313	-	-	-
Investments	-	-	-	(14,732,787)
Audit Adjustments	-	-	-	-
Held checks	<u>49,953</u>	<u>-</u>	<u>6,617</u>	<u>-</u>
<i>Cash per financial statement</i>	<u>\$ -</u>	<u>\$ 17,767</u>	<u>\$ 529,939</u>	<u>\$ 634,269</u>

See independent auditors' report.

Capital Improvements SB-9-State 31700	Capital Improvements SB-9-Local 31701	Education Technology Equipment Act 31900	Debt Service 41000	Ed Tech Debt Service 43000	Total
\$ -	\$ 3,002,480	\$ 1,443,062	\$ 3,486,216	\$ 166,513	\$ 29,710,777
481,684	1,155,023	-	3,243,940	18,506	71,061,849
-	-	-	-	-	1,416,967
<u>481,684</u>	<u>4,157,503</u>	<u>1,443,062</u>	<u>6,730,156</u>	<u>185,019</u>	<u>102,189,593</u>
(943,052)	(908,666)	(683,488)	(3,573,712)	(122)	(70,577,352)
-	-	-	-	-	(2,910,709)
-	-	-	-	-	(37,361)
<u>(461,368)</u>	<u>3,248,837</u>	<u>759,574</u>	<u>3,156,444</u>	<u>184,897</u>	<u>28,664,171</u>
461,368	-	-	-	-	56,506
-	-	-	-	-	(15,430,936)
-	-	-	-	-	399,792
-	-	-	-	-	1,757,089
<u>\$ -</u>	<u>\$ 3,248,837</u>	<u>\$ 759,574</u>	<u>\$ 3,156,444</u>	<u>\$ 184,897</u>	<u>\$ 15,446,622</u>

Cash balance above	\$ 15,446,622
<i>Cash and restricted cash per Exhibit A-1</i>	<u>\$ 15,446,622</u>
Investment balance above	15,430,936
<i>Investment per Exhibit A-1</i>	<u>\$ 15,430,936</u>

See independent auditors' report.

STATE OF NEW MEXICO
Deming Public Schools
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2017

Schedule V

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market June 30, 2017</u>
1st New Mexico Bank				
	Hobbs	7/15/2017	433866CN8	\$ 500,700
	Pena	9/1/2024	706593AP5	161,003
	FFCB	11/23/2022	3133EC4Q4	1,987,402
	FFCB	10/5/2022	3133EFX44	994,669
	GALL	8/1/2022	364010PJ1	570,020
	FHLB	12/9/2022	313381BR5	497,989
	GALL	6/1/2023	364034AN8	421,204
	FFCB	11/29/2024	3133EGP74	999,769
	Total 1st New Mexico Bank			<u>6,132,755</u>
	Name and location of safekeeper for above pledged collateral: The Independent Bankers' Bank - Dallas, Texas			
First Savings Bank				
	FNMA 10YR	1/1/2022	31417ATN9	131,214
	FNMA 10YR	3/1/2022	31418ADU9	318,150
	FNMA 10YR	4/1/2022	31418AEC8	270,370
	FHLMC 10YR	3/1/2023	31307BJW1	29,018
	FHLMC 10YR	3/1/2023	31307BJW1	248,727
	ROSWELL ISD NM 23	8/1/2023	778550JG9	215,240
	GNMA II 15YR	11/20/2026	36202FYY5	870,950
	GNR 2010-46 HG	3/16/1938	38376YEL1	193,772
	GNR 2009-55 HC	6/20/1939	38374VPS2	1,544
	FNR 2010-135 CH	4/25/1940	31398SN66	71,677
	GNR 2011-43 E	12/20/1940	38377UMA3	85,075
	Total First Savings Bank			<u>2,435,737</u>
	Name and location of safekeeper for above pledged collateral: Federal Reserve Bank - Dallas, Texas			
Wells Fargo				
	FNMA FNMS	4/1/1942	3138E5LY2	<u>1,699,933</u>
	Total Wells Fargo Bank			<u>1,699,933</u>
	Name and location of safekeeper for above pledged collateral: BNY Mellon, One Wall Street, Fourth Floor, New York, NY 10286			
	<i>Total pledged collateral</i>			<u>\$ 10,268,425</u>

See independent auditors' report.

STATE OF NEW MEXICO
Deming Public Schools
Schedule of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2017

Schedule VI

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Red Mountain Middle School	\$ 77,770	\$ 109,265	\$ 113,598	\$ 73,438
Administration	5,768	4,434	4,030	6,173
Activities	<u>111,340</u>	<u>413,690</u>	<u>348,666</u>	<u>176,364</u>
<i>Totals</i>	<u>\$ 194,879</u>	<u>\$ 527,389</u>	<u>\$ 466,294</u>	255,974
				<u>\$ 255,974</u>
				\$ 23,486
				<u>232,488</u>
				<u>\$ 255,974</u>

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

Timothy Keller
New Mexico State Auditor and
Board of Education
Office of Management and Budget
Deming Public Schools
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, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue fund of the Deming Public Schools (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2017.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as FS 2016-008, FS 2016-009, and FS 2016-011 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as FS 2016-002 to be a significant deficiency for the District and CU FS 2017-001 for the Component Unit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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*.

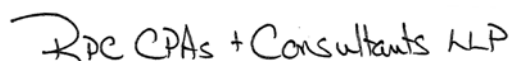
We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items NM 2016-001, NM 2016-003, NM 2016-010, NM 2016-014, NM 2016-015, NM 2016-016, NM 2017-001, NM 2017-002, NM 2017-003, NM 2017-004, and NM 2017-005 for the District and CU NM 2016-006, CU NM 2017-001, CU NM 2017-002, CU NM 2017-003, and CU NM 2017-004 for the Component Unit.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 10, 2017

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FEDERAL FINANCIAL ASSISTANCE



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor and
Board of Education
Office of Management and Budget
Deming Public Schools
Deming, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Deming Public Schools' (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item FA 2016-020. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies identified as item FA 2016-018.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 10, 2017

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STATE OF NEW MEXICO
Deming Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<u>Federal Grantor or Pass-Through Grantor / Program Title</u>	<u>Pass Thru Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Funds Provided to Subrecipient</u>	<u>Noncash Assistance</u>
U.S. Department of Education					
Title I Grants to Local Ed Agencies - IASA	24101	84.010	\$ 3,459,066	\$ -	\$ -
Title I Grants to Local Educational Agencies	24162	84.010	193,339	-	-
Migrant Education State Grant Program	24103	84.011	211,891	-	-
Special Ed-Grants to States (IDEA, Part B) - Entitlement	* 24106	84.027 (1)	1,015,758	-	-
Special Ed-Preschool Grants (IDEA Preschool * Education for Homeless Childeren and Youth	* 24109	84.173 (1)	6,872	-	-
Special Ed-Grants to States (IDEA, Part B) *	24113	84.196	36,856	-	-
English Language Acquisition State Grants	* 24132	84.027A (1)	29,375	-	-
Supporting Effective Instruction State Grant *	24153	84.365A	106,998	-	-
Rural Education	24154	84.367A	240,006	-	-
Career and Tech Ed-Basic Grants to States - Secondary Current	24160	84.358B	111,147	-	-
Career and Tech Ed-Basic Grants to States - Secondary Redistribution	24174	84.048 (2)	61,685	-	-
	24176	84.048 (2)	10,667	-	-
Total U.S. Department of Education			<u>5,483,660</u>	<u>-</u>	<u>-</u>
U.S. Department of Health and Human Services					
Coop Agreement to Promote Adolescent Health Thru School-Based HIV/STD Prevention and School-Based Surveillance	24186	93.079	4,250	-	-
Total U.S. Department of Health and Human Services			<u>4,250</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture					
Fresh Fruit and Vegetable Program	24118	10.582	137,099	-	-
School Breakfast Program	* 21000	10.553 (3)	448,611	-	-
National School Lunch Program	* 21000	10.555 (3)	3,356,570	-	253,931
Total U.S. Department of Agriculture			<u>3,942,280</u>	<u>-</u>	<u>253,931</u>
U.S. Department of Homeland Security					
Emergency Food and Shelter National Board	25246	97.024	6,985	-	-
Total U.S. Department of Homeland Security			<u>6,985</u>	<u>-</u>	<u>-</u>
U.S. Department of Homeland Security					
ROTC	25200	12.XXX	26,413	-	-
Total U.S. Department of Homeland Security			<u>26,413</u>	<u>-</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 9,463,588</u>	<u>\$ -</u>	<u>\$ 253,931</u>

* Denotes Major Federal Financial Assistance Program

() Denotes Cluster

See independent auditors' report.

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Portales Municipal School District No.1 and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Loans

The District did not expend federal awards related to loans or loan guarantees during the year.

3. 10% de minimus Indirect Cost Rate

The District did not elect to use the allowed 10% indirect cost rate.

4. Federally Funded Insurance

The District has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 9,463,588
Total expenditures funded by other sources	<u>94,053,235</u>
<i>Total expenditures</i>	<u><u>\$ 103,516,823</u></u>

STATE OF NEW MEXICO
Deming Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements? | No |

Federal Awards:

- | | |
|---|------------|
| 1. Type of auditors’ report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a) | Yes |
| 4. Identification of major programs: | |

CFDA Number	Federal Program
10.553 & 10.555	Child Nutrition Cluster
84.027 & 84.173	Special Education – Grants to States (IDEA, Part B), Special Education – Grants to States (IDEA, Part B) – Entitlement), Special Education – Preschool Grants (IDEA Preschool)
84.367A	Supporting Effective Instruction State Grant

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

STATE OF NEW MEXICO
Deming Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Primary Government

SECTION II – FINANCIAL STATEMENT FINDINGS

FS 2016-002 Monitoring of Grant Expenses - Significant Deficiency (repeated and modified)

Condition: The District’s oversight of expenses being coded to certain grants was not sufficient to ensure that expenditures were in compliance with State and grantor requirements.

The following disallowed expenditures by the PED that the operating fund may be required to absorb:

Fund 24101 Title I	\$	1,146
Fund 24103 Migrant Children Education		6,396
Fund 24106 IDEA B		1,333
Fund 24113 Education of Homeless		8
Fund 24153 English Language Acquisition		585
Fund 24154 Teacher/Principal Training and Recruiting		57
Fund 24174 Carl D Perking Current		677
Fund 27149 PreK Initiative		2,547
Fund 29107 City/County Grants		190

As a result of poor monitoring of grant expenditures, an adjustment was required to the following fund as the grant did not cover all expenditures posted:

Fund 25200	\$	2,358
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Progress on resolution of prior year finding: The submission of request for reimbursements are now being approved by the director of the program prior to submission to the Public Education Department. Although this is a repeat finding, the value of the disallowed expenses was reduced from \$130,940 in FY2016 to \$12,939 in FY17. Director review and approval is required on all grant related expenses.

A review will be done quarterly of expenditures versus budget to determine the appropriate action required.

Criteria: According to New Mexico Manual of Procedures for Public School Accounting and Budgeting (PSAB) Supplement 4-Federal and State Grants: those districts receiving federal and state grants that are awarded by NMPED must have a proper financial reporting system in place in order to receive and expend funds in accordance with certain mandated standards including but not limited to:

- Fiscal control and accounting procedures that are sufficient to prepare required reports pertaining to grants;
- Accurate, current and complete disclosure of the financial results of each grant program;
- Accounting records that identify source (by CFDA number and grantor agency);
- Effective control and accountability for all grants, property and other assets;
- Source documentation such as receipts, cancelled checks, paid bills, payroll records, time and effort records, contract and sub grant award documents must be readily available and support accounting records;

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

FS 2016-002 Monitoring of Grant Expenses - Significant Deficiency (repeated and modified) (Continued)

- Cash management procedures to minimize the time elapsing between expenditure of funds and requests for reimbursements.
- Process for determining reasonableness, allowability and allocability of grant costs in accordance with OMB Circulars, EDGAR, and New Mexico Public Education Department regulations, and the terms of the grant agreements.

Effect: The general fund had to absorb expenditures that were not allowed under the grants.

Cause: Expenses coded to certain reimbursement grants were not adequately reviewed. Unallowable expenses were charged to these grants and submitted for reimbursements.

Auditor's Recommendation: The District should establish and follow policies and procedures that require regular monitoring of grant expenditures for compliance with all State and grantor requirements. In addition, the District should ensure that each RFR is reviewed and approved prior to submission, and that the review and approval is documented.

Management Response: The submission of request for reimbursements are now being approved by the director of the program prior to submission to the Public Education Department. Indirect costs are calculated and recorded monthly.

A review will be done quarterly of expenditures versus budget to determine the appropriate action required.

Current Status/Plan of Action: Effective November 2016, monthly RFR review packets are being prepared and reviewed prior to submittal to PED.

Responsible Officials: Accounts Payable Specialist, Controller and Grant Directors

FS 2016-008 Improper Cash Account Controls and Cash Reconciliation – Material Weakness (repeated and modified)

Condition: Bank reconciliations did not balance at year-end causing a \$456,462 difference in the operational bank reconciliation.

Progress on resolution of prior year finding: All stale dated checks (checks issued and not cashed within one year) have been removed from the outstanding check list. All bank reconciliations are reviewed and signed by preparer and reviewer.

Criteria: Per NMAC 6.20.2.14 cash control standards: (k) All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistance superintendent for business administration.

Effect: When cash accounts aren't reviewed, errors (either accidental or intentional), can go undetected for significant amounts of time which can affect proper cash planning.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

FS 2016-008 Improper Cash Account Controls and Cash Reconciliation – Material Weakness (repeated and modified) (continued)

Cause: The District's bank reconciliations did not reconcile to the bank balances and instead reconciled to the general ledger. This caused the outstanding check listing to contain items that had already cleared the bank and exclude items that had not cleared the bank.

Recommendation: We recommend that the District prepares its bank reconciliations by reconciling to the bank balance. The bank reconciliation should begin with the beginning bank balance, subtract the debits and add the credits from the bank statement and then outstanding items should be reconciled.

Management Response: A monthly close process will be implemented which will include a reconciliation of all district bank accounts.

Current Status/Plan of Action: The recommended bank reconciliation process was implemented July 2017.

Responsible Officials: Executive Director of Finance and Controller

FS 2016-009 Lack of Internal Controls - Material Weakness

Condition:

- There is no secondary review of manual journal entries being posted.
- Two invoices were paid that exceed the approved purchase order amounts by \$70.
- The District does not have a policy adopted for accounting for student activity monies.

Progress on resolution of prior year finding: A review process for manual journal entries has been implemented requiring either controller or executive director of finance approval. The Board adopted a Purchasing Card policy June 2017. The district will implement a policy on student activities monies in FY18.

Criteria: Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

Comprehensive accounting controls require that all manual journal entries should have proper supporting documentation and be reviewed by at least two individuals who should sign and date the journal entry. This should be performed in order to detect errors and to prevent improper movement of funds. This provides an internal deterrent to errors, fraud and misappropriation of assets.

Effect: The absence of a proper review and approval of expenses could allow for unauthorized expenses being charged to the District.

Cause: The District did not have proper controls in place for review and approval of journal entries or review of approved purchase order amounts.

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

FS 2016-009 Lack of Internal Controls - Material Weakness (continued)

Recommendation: We recommend that the District create policies and procedures to ensure that all journal entries are being properly reviewed and approved. We recommend that policies and procedures be updated to include student activity funds. In addition, controls should be implemented to ensure that purchases and receipts are posted to the correct funds and accounts.

Management Response: A review process for manual journal entries has been implemented. A change order form requiring the appropriate approvals has been implemented, and must be submitted to the procurement office when increasing a purchase order amount. requiring either controller or executive director of finance approval. The district will implement a policy on student activities monies in FY18.

Current Status/Plan of Action: A procedure requiring that all Journal entries have proper approval was implemented August 2017. *Responsible Officials:* Executive Director of Finance, Controller, Certified Procurement Officer, Accounts Payable Specialist and Grant Directors

FS 2016-011 Adjustments to Client Provided Information – Material Weakness (Repeated and modified)

Condition: Adjustments to District balances include:

- The management of the District failed to identify receivables in the SB-9 fund of \$461,368 and Title II fund of \$10,000.

Progress on resolution of prior year finding: Due to inexperience of types of funding by new finance staff, these accounts receivable were not identified.

Criteria: The COSO 2013 Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the District to implement and follow sound accounting and internal control policies and procedures. The lack of records available for management review, audit and reporting results in an inability to determine where and how District funds are utilized.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause: The District did not have proper controls in place to ensure all accrual adjustments were properly accounted for.

Recommendation: We recommend that the District develop and implement policies and procedures to ensure that all accrual adjustments are complete and accurate.

Management Response: Through experience with District finance, the finance staff will acquire knowledge necessary to correctly identify accruals.

Current Status/Plan of Action: The finance department will gain a greater understanding of the different accounts and funding types that require accruals. Accruals reported will be accurate for the FY18 financial statements. *Responsible Officials:* Executive Director of Finance and Controller

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Component Unit

CU FS 2017-001 Design Deficiencies in Internal Control - Significant Deficiency

Condition: Management has not adopted sound accounting policies, established or maintained internal control that would initiate, authorize, record, processes and report transactions consistent with management's assertions embodied in the financial statements. Adequate controls for access to computer programs and data have not been established by management for physical security and access to programs and data. Lack of such controls exist in the following areas:

1. Configuration of Access Rules/Access Administration

Criteria: The COSO 2013 Internal Control Integrated Framework provides guidelines for designing and implementing a system of internal controls that incorporates five necessary components of internal controls. These five components consist of the control environment, risk assessment, control activities, information and communication, and monitoring. Good accounting practices require the District to implement and follow sound accounting and internal control policies and procedures. The lack of records available for management review, audit and reporting results in an inability to determine where and how District funds are utilized.

Effect: Adequate controls are not in place to prevent or detect intentional misstatements of accounting information and fraudulent access to computer systems.

Cause: In the Apta accounting software, the Business Manager has access to create vendors, enter new employees and print check within the system.

Auditors' Recommendations: The Charter should update the policies and procedures manual to include access rules restricting user access to those areas that are necessary in the performance of duties. In addition, the Charter should restrict employees who are allowed to create vendor and enter new employees.

Agency Response: As of July 2017, the school has changed accounting software. Three positions have been trained in the software and form a more appropriate manner of control through separation of duties. The software builders are in New Mexico and provide access control for each user. The Business Manager will meet with the software builders to ensure appropriate access level for each position for the school by February 2018.

Responsible Officials: Business Manager

SECTION III – FEDERAL AWARD FINDINGS

Primary Government

FA 2016-018 Written Policies & Procedures for Uniform Guidance Requirements - Significant Deficiency (Repeated and modified)

Federal Program Information:

Funding Agency:	All Major Programs
Title:	All Major Programs
CFDA Number:	All Major Programs
Federal Award Identification number	All Major Programs
Award Year:	2016-17

Condition: We noted that the District had not implemented the written policies and procedures required under the Uniform Grant Guidance as of year-end.

The District was not able to complete and implement a policies and procedures manual by June 30, 2017. However, the District hired a new Executive Director of Finance and Controller in June 2017.

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

Questioned costs: None

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

Cause: The District did not update policies and procedures during the Uniform Guidance implementation.

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

Management Response: The Executive Director of Finance will update the accounting procedures to include the applicable standards required under the Uniform Grant Guidance. This update will be completed in FY18.

Current Status/Plan of Action: Accounting procedures will be updated to included Uniform Grant Guidance standards in FY18.

Responsible Officials: Executive Director of Finance

STATE OF NEW MEXICO
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Schedule of Findings and Questioned Costs
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SECTION III – FEDERAL AWARD FINDINGS (Continued)

FA 2016-020 – Reporting - Material Noncompliance (Repeated and modified)

Condition: Four out of four reports tested were submitted late. The first quarter report was due October 31, 2016 and submitted on November 1, 2016. The second quarter report was due January 31, 2017 and submitted February 3, 2017. The third quarter report was due April 30, 2017 and submitted May 24, 2017. The fourth quarter report was due July 31, 2017 and submitted August 22, 2017.

Federal Program Information:

Funding Agency:	All Major Programs
Title:	All Major Programs
CFDA Number:	All Major Programs
Federal Award Identification number	All Major Programs
Award Year:	2016-17

Criteria: Per 34 CFR 80.41 Financial Reporting, when reports are required on a quarterly basis, they will be due 30 days after the reporting period.

Questioned costs: None

Effect: The State of New Mexico does not have a timely reporting of the Districts activity. The District is not in compliance with Federal regulations.

Cause: The District does not have proper controls in place to ensure that reports are submitted timely.

Auditor's Recommendation: We recommend the District perform reconciliations on a timely basis and evidence that preparation through dating and signature. This will assist with their monthly reporting requirements.

Management Response: The District will perform reconciliations on a timely basis and sign and date as recommended.

Current Status/Plan of Action: All financial reports will be submitted timely in FY18.

Responsible Officials: Executive Director of Finance

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS

Primary Government

NM 2016-001 Procurement Code – Other noncompliance (Repeated and modified)

Condition: The District did not solicit proposals for services purchased from 1 out of 6 vendors tested in the amount of \$87,500.

In two of the six request for proposals tested, it was noted that District did not obtain a campaign contribution form from prospective contractors for request for proposals.

Progress on resolution of prior year finding: The Certified Procurement Officer has attended the New Mexico Public Procurement Association conference and has gone through reviews of certification. Through training and experience she has taken on a more active role in the procurement process.

Criteria: Per NMAC 6.20.2.17 PURCHASING: A. Each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. Purchasing policies and procedures for grant funding shall comply with requirements established within the grant and NMSA 13-1-125 (A) and (B). An internal control structure over purchasing shall be established and maintained to assure compliance with school district policy, and state and federal regulations.

According to New Mexico State Procurement Statutes Section 13-1-191.1 Campaign contribution disclosure and prohibition- a prospective contraction shall disclose all campaign contributions. The disclosure shall indicate the date, the amount and the nature and purpose of the contribution.

Effect: The School could be overpaying for services purchased and could unknowingly give preferential treatment to contractors when soliciting services.

Cause: Management asked the board for approval, which it received on a classification and compensation study before the District had solicited proposals. Due to a lack of review of the procurement files, the procurement officer failed to obtain the campaign contribution forms during the bid/request process.

Auditor's Recommendation: We recommend the District go out for bid/solicit proposals in compliance with the procurement code and that the District obtain campaign contribution forms for their files from the prospective contractors to ensure that the State's procurement policies are being implemented and followed for every purchase.

Management Response: Prior to Board approval of purchases, the Certified Procurement Officer will have already reviewed the purchase request for proper procurement procedures.

The District has created and implemented a checklist for all requests for proposal and/or bids that will be included in the procurement file. This checklist includes making sure the signed campaign donation form is in the file. The Chief Procurement Officer will review the file prior to a purchase order being issued.

Current Status/Plan of Action: The Certified Procurement Officer created a checklist of all documentation to be included in the procurement file. The checklist was implemented August 2017.

Responsible Officials: Certified Procurement Officer

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2016-003 PED Reporting – Material noncompliance (Repeated and modified)

Condition: During our audit testing we noted the following:

- We noted all the fund balance accounts numbers (object code 09322) in the trial balance did not agree to the PED Uniform Chart of Accounts (object code 32300).
- Cash reports submitted to the PED did not agree to the final bank reconciliation in the amount of \$456,462.

Progress on resolution of prior year finding: We are currently referring to Public Education Department Supplement ver. 5.0 (March 2017) for definitions of Uniform Chart of Accounts. Current accounting system continues to use 09322 as fund balance object account.

Criteria: Per NMAC 6.20.2.13C all school districts shall prepare, maintain, and report budget and financial information utilizing a standard and uniform chart of accounts.

Per NMAC 6.20.2.10 school districts shall submit periodic financial reports to the department using the department-approved format.

Per Cash Control Standards MAP 7 the cash report should flow directly from the General Ledger. Before completing the cash report districts should first reconcile all bank accounts and properly record any adjusting items such as interest or deductions for banking supplies, or for loans made by the district operational fund to other funds. The cash balance on the final line of the cash report should tie directly to the general ledger cash account total. Any differences must be found and corrected prior to submitting the report.

Effect: PED does not have accurate reporting of the District's financial activity.

Cause: The District is using incorrect account numbers as the object code for the fund balance accounts. The District did not perform a proper bank reconciliation prior to submitting PED cash reports.

Auditor's Recommendation: We recommend that the District complete an annual review of the chart of accounts and that all accounts are corrected to properly reflect the PED universal chart of accounts. In addition, we recommend that the District complete all adjustments and reconciliations prior to reporting to the PED and that revenue received is recorded in revenue accounts and not as a reduction of expenditures.

Management Response: For the FY18 financial statements, a journal entry will be done correcting the fund balance object account.

A monthly close process will be implemented which will include a reconciliation of all district bank accounts.

Current Status/Plan of Action: The fund balance reclassification will be done for the FY18 financial statements and corrected when implementing new software for FY19. Additional analysis is being done regarding revenue prior to posting in the general ledger.

Responsible Officials: Executive Director of Finance and Controller

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2016-010 Activity Cash Receipts – Other noncompliance (Repeated and modified)

Condition:

- In the Student Activity funds (fund 23000) 2 out of 12 cash receipts were deposited before being recorded in the Triadic system in the amount of \$500.
- In the Student Activity funds (Agency funds) 7 out of 27 cash receipts were not deposited within 24 hours. \$694 was not deposited within 24 hours.

Progress on resolution of prior year finding: At the annual secretaries meeting August 2017, training was provided by the Executive Director of Finance regarding the requirement to deposit money within 24 hours as well as cash receipt policies and procedures.

Criteria: Per NMAC 6.20.2.14.C money received and receipted shall be deposited in the bank within twenty four (24) hours or one banking day. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.

Effect: The District is not safeguarding cash received. Funds could go missing.

Cause: The Schools have not been provided adequate training in regards to documenting or retaining information to cash receipts collected. This includes depositing funds within 24 hours of receipt and the recording of the receipt in Traidic.

Auditors' Recommendations: The District should update policies and procedures for all receipting of cash receipts related student activities including athletics. We also recommend that the person who creates the deposit and reviews the deposit evidence that through a signature. In addition, we recommend that the finance department perform periodic reviews against the club receipt books to ensure that each school has controls in place for segregation of duties and proper documentation of funds received. This review should be kept and evidence that the work was performed through signature.

Management Response: The district will implement a policy on student activities monies in FY18. All student activity receipts are reviewed at the time of posting to the general ledger. Additional training needs will be determined based on review of receipts. Additional reviews of timing of deposits are being performed.

Current Status/Plan of Action: A policy on student activity money handling will be implemented in FY18. Additional review of accuracy and timeliness for cash receipts is done by the finance department. Additional training has been conducted by the finance department regarding cash handling procedures.

Responsible Officials: Executive Director of Finance and Controller

STATE OF NEW MEXICO
Deming Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2016-014 Indirect Cost – Other noncompliance (Repeated and modified)

Condition: The District charged excess indirect costs to federal program as follows:

Fund 24106 Entitlement IDEA-B		
Indirect costs allowed	\$	27,376
Indirect costs charged		27,381
Excess indirect costs		5
Fund 24109 Preschool IDEA-B		
Indirect costs allowed	\$	182
Indirect costs charged		195
Excess indirect costs		13

Progress on resolution of prior year finding: None

Criteria: District is required to use the indirect cost rate provided by the NMPED per 34 CFR 75.560.

Effect: The District overcharged indirect costs.

Cause: There were no controls in place to reconcile the indirect costs at year-end.

Auditors' Recommendations: We recommend that the District implement controls to review indirect cost calculations to ensure proper indirect cost amounts are allocated to the grant based on the approved NMPED indirect cost rates.

Management Response: Indirect costs are calculated and recorded monthly. This calculation includes a monthly and year to date comparison to ensure accuracy of indirect costs. At year end, prior to finalizing the trial balance, calculations will be reviewed for accuracy.

Current Status/Plan of Action: Effective FY18, indirect costs are calculated monthly. The calculation is done both monthly and year to date to take into account any adjustments that need to be made. The FY19 trial balance will be reviewed for accuracy prior to year-end.

Responsible Officials: Executive Director of Finance and Controller

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2016-015 Fund Accounting Reconciliations – Finding that Does not Rise to the Level of Significant Deficiency (Repeated and modified)

Condition: Several funds are carrying cash and unearned revenue balances forward from year-to-year that have not been reconciled by the district, including amounts that may need to be transferred back to PED. All of these funds are considered reimbursement type funds and should not have cash balances or unearned revenue carryforward:

Fund 24132 IDEA-B Results Plan	\$	219
Fund 25246 Emergency Food/Shelter		2,750

Progress on resolution of prior year finding: All but two of the prior year funds were correct and reimbursed to the Public Education Department as necessary.

Criteria: Good accounting policy indicates that funds that are no longer being used should be adjusted to \$0, closed out and no longer used. All transfers should get approved and acted upon in a timely fashion. Funds should be cleaned up to ensure an accurate reflection of fund activity and balances from year-to-year.

Effect: The District has not been reporting accurate fund information to PED and is at risk of not having budget approval.

Cause: The District did not have proper controls in place to reconcile carryover cash balances.

Auditors' Recommendations: We recommend that the District reconcile the list of funds and determine whether funds need to be returned to the grantor or transferred to the general fund. Should amounts need to be transferred we recommend that a permanent cash transfer per PED policies be completed and approved prior to adjustment.

Management Response: Cash balances on grant funds will be reviewed throughout the year for reasonableness. Training will be provided to grant managers regarding communication of grant status.

Current Status/Plan of Action: Effective FY18, cash balances on grant funds will be reviewed for reasonableness and additional research will be conducted if necessary on any unreconciled balances.

Responsible Officials: Executive Director of Finance and Controller

STATE OF NEW MEXICO
Deming Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2016-016 Budgetary Conditions – Other noncompliance (Repeated and modified)

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

Fund 11000 Operational - Instruction	\$	2,216
Fund 25153 Title XIX - Support Services - Student		55,513
Fund 25153 Title XIX - Operation and Maintenance		1,556
Fund 25200 ROTC - Instruction		461
Fund 25246 Emergency Food/Shelter - Instruction		3,485
Fund 29107 City/County Grants - Instruction		38,666
Fund 43000 Ed. Tech. Debt Service - General Administration		122

Criteria: NMAC 6.20.2.10 states that all District 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 District had expenditures in six fund functions that were not properly budgeted.

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

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

Management Response: A review will be done quarterly of expenditures versus budget to determine the appropriate action required.

Current Status/Plan of Action: Effective FY18 a quarterly review will be done on expenditures versus budget and appropriate action will be taken if necessary.

Responsible Officials: Executive Director of Finance

NM 2017-001 – ERB Employee Reporting – Other noncompliance

Condition: The District did not properly report one new employee as a new employee during the completion of their monthly report to ERB during the year of the valuation of the District's net pension liability. That employee was included in the subsequent month, but was not indicated as a new employee.

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

Effect: The District did not report the new employee properly to ERB, which could result in errors in that employee's start date and service credit with ERB.

Cause: The District's payroll department collected the proper forms from the employee at the beginning of employment, but the employee was not correctly included in the District's ERB upload file for their first pay period.

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2017-001 – ERB Employee Reporting – Other noncompliance(Continued)

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

Management Response: A comparison of the ERB member file and the new hire list will be done prior to submission to the ERB.

Current Status/Plan of Action: Effective FY18, the ERB member file and new hire list will be compared prior to submission to ERB.

Responsible Official: Payroll Specialist

NM 2017-002 Annual Inventory Certification – Other noncompliance

Condition: The District has not performed an annual capital asset inventory certification of their fixed asset listing timely.

Criteria: According to State Audit Rule 2.2.2.10 V Capital Asset Inventory: (2) Section 12-20-1-16 NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors. In addition according to NMAC 2.20.1.16 (E) the results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.

Effect: Items could be present on the capital assets listing that do not exist or items could exist that are not on the listing. As well as the listing could be misstated.

Cause: The District was aware of the requirement, but due to turnover within management the due date for the annual certification was overlooked.

Auditors' Recommendations: We recommend that once the annual inventory has been completed, the District has it certified by the District's Board of Education.

Management Response: Once the district has completed the annual inventory, it will be certified by the Board of Education.

Current Status/Plan of Action: The Board of Education will certify the annual inventory prior to FY18 year-end.

Responsible Officials: Executive Director of Finance

NM 2017-003 Travel and Per Diem – Other noncompliance

Condition: The District reimbursed actual lodging in the amount of \$219, which was \$4 more than allowed under the Travel and Per Diem Act.

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SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2017-003 Travel and Per Diem – Other noncompliance (Continued)

Criteria: According to NMSA 2.42.2.9 b. (1) Reimbursement of Actual Expenses in Lieu of Per Diem Rates: A public officer or an employee may elect to be reimbursed actual expenses for lodging not exceeding the single occupancy room charge (including tax) in lieu of the per diem rate set forth in this Section. Whenever possible, public officers and employees should stay in hotels which offer government rates. Agencies, public officers and employees who incur lodging expenses in excess of \$215.00 per night must obtain the signature of the agency head or chairperson of the governing board on the travel voucher prior to requesting reimbursement and on the encumbering document at the time of encumbering the expenditure.

Effect: The District reimbursed an amount which exceeded the allowable rate by \$4.

Cause: The travel was approved for \$211 but the actual reimbursement was reimbursed in the amount of \$219.

Auditors’ Recommendations: We recommend that the District review the Mileage and Per Diem Act with employees who will be traveling for District purposes. In addition, we recommend that they adopt a policy that travel reimbursements will only be reimbursed for the amount approved before the date of travel.

Management Response: The travel and per diem statutes will be reviewed and the travel log calculations will be updated as needed.

Current Status/Plan of Action: Effective FY18, travel and per diem statutes will be reviewed and travel log calculations will be updated as needed.

Responsible Officials: Executive Director of Finance and Controller

NM 2017-004 – Cash Appropriations in Excess of Available Cash Balances – Other noncompliance

Condition: The District maintained a deficit budget in excess of available cash balances in the following funds:

Designated Cash

	Designated Cash	Beginning Year Cash & AR Available	Appropriation in Excess of Available Cash
Fund 23000 Non-Instructional Support	\$ 356,724	\$ 350,221	\$ 6,503
Fund 31100 Bond Building	15,672,738	15,629,877	42,861
Fund 31900 Educational Technology Equipment Act	1,506,468	1,443,062	63,406

Criteria: Section 2.2.2.10. (P) (1), NMAC, requires all School District funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the Public Education Department for approval. Cash balances rebudgeted to make up for deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Effect: The District will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Cause: The District has internal controls in place to monitor budget versus available cash, however this fund was missed in the process. The District did not budget revenue for this fund.

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

NM 2017-004 – Cash Appropriations in Excess of Available Cash Balances – Other noncompliance (continued)

Auditors' Recommendations: Budget deficits for future years should be reviewed to insure all funds have adequate budget authority and sufficient cash balances for budgeted deficits. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

Management Response: Budget Adjustment Requests will be submitted to the Public Education Department as soon as final audited numbers are received.

Current Status/Plan of Action: Budget Adjustment Requests will be submitted to the Public Education Department as soon as final audited numbers are approved and received.

Responsible Officials: Executive Director of Finance

NM 2017-005 Pledged Collateral – Other noncompliance

Condition: Deposits at First New Mexico and First Savings were not collateralized in accordance with State of New Mexico Statutes. The required collateral was \$6,442,471. As there was no collateral maintained for this institution, there was a shortfall of \$309,716.

Criteria: Any bank designated a deposit of public money shall deliver pledged collateral with a value equal to one half the amount of the public money in excess of insurance, to a custodial bank and a joint safekeeping receipt issued by the custodial bank to the District (Section 6-10-17 NMSA 1978). Monitoring collateralization of the District's funds is essential in ensuring compliance with State of New Mexico Statutes.

Effect: Lack of proper monitoring of pledged collateral could result in excessive loss of District's funds if the financial institutions encounter financial difficulties.

Cause: The District did not monitor pledged collateral requirements.

Auditors' Recommendation: As part of a formal policy implemented by the District, an individual should be assigned the responsibilities of reviewing the monthly collateral reports, investigating differences, and resolving discrepancies.

Management Response: Pledged collateral reports received from the financial institution will be reviewed to ensure requirement of 50% collateralization is met.

Current Status/Plan of Action: Effective FY18 pledged collateral reports received from the financial institution will be reviewed to ensure requirement of 50% collateralization is met.

Responsible Officials: Executive Director of Finance and Controller

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

Component Unit

CU NM 2016-006 Cash disbursements – Other noncompliance (Repeated and modified)

Condition: We noted two purchase orders were approved on June, 22 2017 for travel that had occurred on June 10, 2017 in the amount of \$612.

Progress on resolution of prior year finding:

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

Effect: The District did not approve employee travel until after the travel had occurred.

Cause: The travel reimbursement request form was not approved until June 22, 2017 after the travel had already occurred.

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

Agency Response: The Director will ensure Governing Council travel is identified and submitted for encumbrance prior to travel taking place. The Business Manager will establish a system that will be used to communicate travel to the Administrative Assistant prior to departure while ensuring such travel costs are encumbered. This system will be in place by January 2018.

Responsible Officials: Director and Business Manager

CU NM 2017-001 – Employee Contract Variance – Other noncompliance

Condition: The Charter did not maintain an employee's contract and amendment for all increments of the employee's contract.

Criteria: Per the Charter's Accounting Procedures Manual, 'Compensation records kept by the Deming Cesar Chavez Charter High School office will reflect an accurate history of the compensation and related benefits accorded each employee.'

Effect: The Charter paid an employee more than the contract amount supported in their personnel file. The employee in question received \$78.12 more per pay period compared to the recalculation of approved pay in the employee's file during the year of the valuation of the Charter's net pension liability.

Cause: The Charter did not have all increments for this employee kept intact in their personnel file.

Auditors' Recommendations: We recommend that the District implement a review of contract amount when they are entered into the payroll system to ensure that all contract increments/amendments are held in each employee's personnel file.

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

CU NM 2017-001 – Employee Contract Variance – Other noncompliance (Continued)

Agency Response: The employee file cited was last employed by the school in August 2014. The Director since designated the Administrative Assistant and Business Manager to maintain personnel records and ensure continuity within the employment process. The Director has implemented a practice and process of employee file review and self-assessment as of September 2017. This process includes the Administrative Assistant and Business Manager conducting a cross-review of file requirements ensuring appropriate documentation for contract, wages, T and E reporting, and other requirements.

CU NM 2017-002 Posting of Financial Reporting - Other noncompliance

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

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

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

Cause: The Charter was unaware of this requirement.

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

Agency Response: The Business Manager will ensure that financial reports are posted to the website. The Business Manager will ensure this is completed by January 2018.

Responsible Official: Business Manager

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SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

CU NM 2017-003 – Cash Appropriations in Excess of Available Cash Balances – Other noncompliance

Condition: The Charter maintained a deficit budget in excess of available cash balances in the following funds:

	<u>Designated Cash</u>	<u>Beginning Year Cash & AR Available</u>	<u>Appropriation in Excess of Avaiable Cash</u>
Fund 11000 Operational	\$ 1,020,793	\$ 957,322	\$ 63,471
Fund 14000 Instructional Materials	14,147	9,029	5,118

Criteria: Section 2.2.2.10. (P) (1), NMAC, requires all School District funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the Public Education Department for approval. Cash balances rebudgeted to make up for deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Effect: The Charter will have to supplement the budget deficits with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Cause: The Charter has internal controls in place to monitor budget versus available cash, however these fund were missed in the process. The Charter did not budget revenue for this fund.

Auditors' Recommendations: Budget deficits for future years should be reviewed to insure all funds have adequate budget authority and sufficient cash balances for budgeted deficits. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

Agency Response: The Business Manager will ensure any change in cash balances are appropriately submitted through the Budget Adjustment Request system. This will with the release of the previous year's audit and completed by February 2018. Noted is that the school has changed accounting systems for a more reliable measure of encumbrances and cash projection.

Responsible Official: Business Manager

SECTION IV – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (Continued)

CU NM 2017-004 Travel and Per Diem – Other noncompliance

Condition: The Charter reimbursed actual meals rates to two employees in the amount of \$51 per day instead of \$45 resulting in a difference of \$72.

Criteria: Per NMAC 2.24.2.9 B (2) Actual meals for meals are limited by Section 10.-8-4 (K) (2) NMSA 1978 (1995 Repl. Pamp.) to a maximum of \$30 for in-state travel and \$45 for out-of-state travel for a 24-hour period. NMAC 2.24.2.9 B (3) also requires employees to submit receipts for the actual meal expenses incurred.

Effect: The Charter over reimbursed \$72.

Cause: The Charter was using GFA reimbursement rates instead of NMAC 2.24.29 B (2) rates.

Auditors' Recommendations: The Charter should reimburse rates based on the Mileage and Per Diem Act and not use the GFA rates.

Agency Response: The Business Manager will ensure the utilization of the Mileage and Per Diem Act. The General Services Administration rates for out of state travel will not be used. This will be effective immediately.

Responsible Officials: Business Manager

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SECTION V – PRIOR YEAR FINDINGS

Primary Government

2016-001 - Procurement Code (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)- Repeated/Modified

2016-002 - Monitoring of Grant Expenses (Significant Deficiency) - Repeated/Modified

2016-003 - PED Reporting (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)- Repeated/Modified

2016-004 – Posting of Financial Reporting (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)- Resolved

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

2016-006 - Charter School Management (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency) - Resolved

2016-007 – IT General Operations, and Security Access Controls (Significant Deficiency – Resolved

2016-008 – Improper Cash Account Controls and Cash Reconciliations (Significant Deficiency)- Repeated/Modified

2016-009 - Lack of Internal Controls (Material Weakness) - Repeated/Modified

2016-010 - Activity Cash Receipts (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency) - Repeated/Modified

2016-011 – Adjustments to Client Provided Information (Significant Deficiency)- Repeated/Modified

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

2016-013 - Restatement (Material Weakness) - Resolved

2016-014 – Indirect Cost (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency) - Repeated/Modified

2016-015 – Fund Accounting Reconciliations (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency) - Repeated/Modified

2016-016 – Budgetary Conditions (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency) - Repeated/Modified

2016-017 – Fixed Assets (Material Weakness) - Resolved

2016-018 – Written Policies & Procedures for Uniform Guidance Requirements (Significant Deficiency) - Repeated/Modified

2016-019 – Special Tests and Provisions (Material Weakness and Instance of Noncompliance)- Resolved

2016-020 – Reporting (Significant Deficiency and Instance of Noncompliance) – Repeated/Modified

2016-021 – Internal Controls Over Schedule of Expenditures of Federal Awards (Significant Deficiency) - Resolved

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SECTION V – PRIOR YEAR FINDINGS (Continued)

2016-022 – Special Tests and Provisions (Material Weakness and Instance of Noncompliance) - Resolved

2016-023 – Suspension & Debarment (Significant Deficiency and Instance of Noncompliance) - Resolved

Component Unit

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

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

2016-001A - Internal Control structure (Significant Deficiency) – Resolved

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

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

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

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

2016-006A - Cash Disbursements (Non-Compliance in Accordance with the New Mexico State Audit Rule, Does not Rise to the Level of Significant Deficiency)- Repeated/Modified

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

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

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

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

2016-011A - Restatement (Material Weakness) - Resolved

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

STATE OF NEW MEXICO

Deming Public Schools

Other Disclosures

June 30, 2017

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 10, 2017. In attendance were the following:

Representing Deming Public Schools:

Arsenio Romero – Superintendent
Lesley Doyle – Executive Director of Finance
Joe Adcock - Controller
Bayne Anderson – Board Member

Representing Cesar Chavez High School Charter Schools:

Stan Lyons – Director
Chris Masters – Business Manager
Dan Sanchez – Board Member

Representing RPC CPAs + Consultants, LLP:

Ray Roberts, CPA – Partner
Vicki Dallas, CPA – Senior

Auditor Prepared Financial Statements

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of Deming Public Schools from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.