NOTICE

DEMING PUBLIC SCHOOL DISTRICT NO. 1

\$2,500,000¹ - General Obligation School Bonds, Series 2020 (the "Bonds")

Preliminary Official Statement dated July 16, 2020

The Preliminary Official Statement, dated July 16, 2020 (the "Preliminary Official Statement") relating to the above-described bonds (the "Bonds") of the Deming Public School District No. 1 (the "Issuer"), has been posted on the Internet as a matter of convenience. A copy of the Preliminary Official Statement is available from the Issuer by contacting the municipal advisor, RBC Capital Markets, LLC, Regina Gaysina at (505) 872-5999. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat XI). Although this format should replicate the Preliminary Official Statement available from the Issuer, its appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat XI may cause the Preliminary Official Statement that you view or print to differ in format from the Preliminary Official Statement.

The Preliminary Official Statement and the information contained therein are subject to completion or amendment or other change without notice. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

For purposes of compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Preliminary Official Statement alone, and no other document or information on the internet, constitutes the "Preliminary Official Statement" that the Issuer has deemed "final" as of its date in respect of the Bonds, except for certain pertinent information permitted to be omitted therefrom.

No person has been authorized to give any information or to make any representations other than those contained in the Preliminary Official Statement in connection with the offer and sale of the Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized. The information and expressions of opinion in the Preliminary Official Statement are subject to change without notice and neither the delivery of the Official Statement nor any sale made thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of the Preliminary Official Statement.

By choosing to proceed and view the electronic version of the Preliminary Official Statement, you acknowledge that you have read and understood this Notice.

Preliminary Official Statement dated July 16, 2020

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¹ Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 16, 2020

\$2,500,0001 - General Obligation School Bonds, Series 2020 (the "Bonds")

DEMING PUBLIC SCHOOL DISTRICT NO. 1 Luna County, New Mexico

NEW ISSUE Bank Qualified
Book-Entry Only Moody's Ratings: "A2" Underlying / "Aa3" Enhanced

See "RATINGS" herein.

PURPOSES

Proceeds of the above-described bonds (the "Bonds") will be used for the purpose of (1) erecting, remodeling, making additions to and furnishing school buildings, 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 (NMSA 1978, §22-24-1 et. seq.), or any combination of those purposes within the District and (2) paying costs of issuance of the Bonds.

THE BONDS

The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each February 1 and August 1, commencing February 1, 2021. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to the registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants is the responsibility of DTC. See "The Bonds - Book-Entry-Only System". BOKF, N.A., Albuquerque, New Mexico, (or successor) is the Registrar and Paying Agent for the Bonds.

OPTIONAL REDEMPTION

The Bonds are subject to redemption prior to maturity as provided herein.

SECURITY

The Bonds are general obligations of the Deming Public School District No. 1, Luna County, New Mexico (the "District"), payable solely out of general (ad valorem) property taxes that are required to be levied against all taxable property in the District without limitation as to rate or amount.

BOND AND TAX OPINION

The delivery of the Bonds is subject to the opinions of Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, as to the validity of the Bonds and the opinion of McCall, Parkhurst & Horton L.L.P., to the effect that interest on the Bonds is excludable from gross income for purposes of federal income taxation, under existing statutes, regulations, published rulings and court decisions, subject to the matters described under "TAX MATTERS" herein, and is not includable in the alternative minimum taxable income of individuals, except as hereinafter described. Additionally, interest on the Bonds is not includable in gross income for purposes of the State of New Mexico state income tax. See "LEGAL MATTERS" and "TAX MATTERS" herein for a discussion of Co-Bond Counsel's opinions. Delivery of the Bonds is subject to the delivery of an approving opinion of the Attorney General of the State of New Mexico.

DELIVERY

When, as and if issued, through DTC's facilities, on or about August 26, 2020.

DATED DATE

Date of initial delivery of the Bonds.

DUE DATE

Principal is payable annually on August 1, commencing August 1, 2021.

STIFEL

¹ Preliminary, subject to change.

	General Obligation School Bonds, Series 2020 ⁽¹⁾									
Year					Year					
Maturing		Interest		Cusip#	Maturing		Interest		Cusip#	
(August 1)	Principal	Rate	Yield	248094	(August 1)	Principal	Rate	Yield	248094	
2021	\$100,000				2028	\$100,000				
2022	180,000				2029	260,000				
2023	180,000				2030	260,000				
2024	180,000				2031	260,000				
2025	180,000				2032	260,000				
2026	180,000				2033	260,000				
2027	100,000									

⁽¹⁾ Preliminary, subject to change.

*CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the District, or the Municipal Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

ISSUER

DEMING PUBLIC SCHOOL DISTRICT NO. 1 Luna County, New Mexico 400 Cody Road Deming, New Mexico 88030 (575) 546-8841

BOARD OF EDUCATION

President: Bayne Anderson Vice-President: William "Billy" Ruiz Secretary: Amy Delaney-Hernandez Member: Daniel Krowl Member: Kenneth Teague

MUNICIPAL ADVISOR

RBC Capital Markets, LLC 6301 Uptown Blvd. NE, Suite 110 Albuquerque, New Mexico 87110 (505) 872-5999

PAYING AGENT/REGISTRAR

BOKF, N.A. 100 Sun Avenue NE, Suite 500 Albuquerque, New Mexico 87109 (505) 222-8447

DISTRICT ADMINISTRATION

Superintendent: Dr. Arsenio Romero Chief Finance Officer: Lesley Doyle

CO-BOND COUNSEL

Cuddy & McCarthy, LLP 1701 Old Pecos Trail Santa Fe, New Mexico 87505 (505) 988-4476

McCall, Parkhurst & Horton L.L.P. 600 Congress Avenue, Suite 1800 Austin, Texas 78701 (512) 478-3805

<u>UNDERWRITER</u>

Stifel, Nicolaus & Company, Incorporated Two Park Sq. 6565 Americas Parkway NE, Suite 860 Albuquerque, New Mexico 87110 505-872-2320

UNDERWRITER'S COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A. 500 Fourth Street NW, Suite 1000 Albuquerque, New Mexico 87102 (505) 848-1800

A Few Words About Official Statements

This Official Statement is not an offer to sell or solicitation of an offer to buy Bonds in any jurisdiction where it is unlawful to make such offer, solicitation or sale and no unlawful offer, solicitation or sale of the Bonds may occur through this Official Statement or otherwise. This Official Statement is not a contract and provides no investment advice. Investors should consult their advisors and legal counsel with their questions about this Official Statement, the Bonds or anything else related to this issue.

MARKET STABILIZATION

In connection with this Official Statement, the initial purchaser may over-allot or effect transactions, which stabilize and maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. The initial purchaser is not obligated to do this and is free to discontinue it at any time.

The estimates, forecasts, projections and opinions in this Official Statement are forward looking statements, and no one, including the District, guarantees them.

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

Co-Bond Counsel, Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P., Austin, Texas, were not requested to and did not take part in the preparation of the Official Statement nor have these firms undertaken to independently verify any of the information contained herein. Such firms have no responsibility for the accuracy or completeness of any information furnished in connection with any offer or sale of the Bonds in the Official Statement or otherwise. The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent, in part, upon the sale and delivery of such Bonds and all legal fees will be paid from bond proceeds.

The Underwriter has reviewed the information contained in the Official Statement in accordance with its responsibilities to investors under federal securities laws as applicable to the circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The Underwriter makes no representation as to the accuracy, completeness, or adequacy of the information supplied by DTC for use in this Official Statement.

Any part of this Official Statement may change at any time, without prior notice. Also, important information about the District and other relevant matters may change after the date of this Official Statement.

All document summaries are not complete or definitive, and they may omit relevant information. Such documents are qualified in their entirety to the complete documents. Any investor who wishes to review the full text of documents may request them at no cost from the District or the Municipal Advisor as follows:

District

Deming Public School District 400 Cody Road Deming, New Mexico 88030 Attn: Lesley Doyle, Chief Finance Officer

Municipal Advisor

RBC Capital Markets, LLC 6301 Uptown Blvd. NE, Suite 110 Albuquerque, NM 87110 Attn: Regina Gaysina

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DEMING PUBLIC SCHOOL DISTRICT NO. 1 Luna County, New Mexico

\$2,500,0001 - General Obligation School Bonds, Series 2020 (the "Bonds")

INTRODUCTION

The Issuer

The Deming Public School District No.1 (the "District") is a political subdivision of the State of New Mexico (the "State") organized for the purpose of operating and maintaining an educational program for the school-age children residing within its boundaries. The District encompasses approximately 2,968 square miles, which includes the City of Deming (the "City"), the Village of Columbus and Luna County (the "County") in southwestern New Mexico. The District's 2019 assessed valuation is \$618,010,537 and its 40th day enrollment for school year 2019-20 was 5,142. See "THE DISTRICT."

The Financial Advisor

The District has retained RBC Capital Markets, LLC as financial advisor (the "Municipal Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make an independent verification of or assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The fee of the Municipal Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds.

Limited Role Of Auditor

The District's auditor has not been engaged to perform and has not performed any procedures relating to this Official Statement.

Except for a portion of the audited financial statements of the District for the year ended June 30, 2019 contained in Appendix B, this Preliminary Official Statement presents audited and unaudited (where and when noted) financial and statistical information from District records and other sources.

THE BONDS

Authority

The Bonds are being issued pursuant to the resolution adopted by the Board of Education of the District (the "Board") on June 18, 2020 authorizing the issuance of the Bonds and a pricing certificate to be executed on the date of sale of the Bonds as designated in the resolution (the resolution and the pricing certificate are collectively referred to herein as the "Bond Resolution") and NMSA 1978, Sections 6-15-1 through 6-15-22, as amended, the Constitution of the State of New Mexico and other laws of the State, and constitute the third installment of \$2,500,000* of \$10,000,000 of general obligation school bonds authorized by the qualified voters of the District at an election held on February 6, 2018. After the issuance of the Bonds, \$2,500,000* of general obligation school bonds will remain authorized but unissued from the February 6, 2018 election. The New Mexico Attorney General will provide a written approving opinion with respect to the Bonds.

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¹ Preliminary, subject to change.

Purpose

Proceeds of the Bonds will be used for the purpose of (1) erecting, remodeling, making additions to and furnishing school buildings, 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 (NMSA 1978, §22-24-1 et. seq.), or any combination of those purposes within the District and (2) paying costs of issuance of the Bonds.

General Terms

The Bonds will bear interest at the rates and mature in the amounts and on inside the dates shown on the front cover of this Official Statement. All Bonds are fully registered in denominations of \$5,000 or multiples of \$5,000. Interest is payable on February 1, 2021 and each August 1 and February 1 thereafter until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Bond payments will be made by the Paying Agent/Registrar to The Depository Trust Company ("DTC"), and DTC will then remit the payments to its participants for disbursement to the beneficial owners of the Bonds. See "Book-Entry-Only System" in Appendix C.

Security for the Bonds

The Bonds are general obligation bonds of the District and are payable from ad valorem taxes which shall be levied against all taxable property within the boundaries of the District without limitation as to rate or amount. The Bonds are additionally secured by the New Mexico Credit Enhancement Program as discussed in more detail under "NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM," herein. The District will covenant in the Bond Resolution to levy, in addition to all other taxes, direct annual ad valorem taxes sufficient to pay the principal of and interest on the Bonds. The District may pay the principal of and interest on the Bonds from any funds belonging to the District, which funds may be reimbursed from the ad valorem taxes when the same are collected. Neither the State nor any other political subdivision of the State, other than the District, has any responsibility to pay debt service on the Bonds.

Bond Registrar and Paying Agent

BOKF, N.A., Albuquerque, New Mexico, (or successor) will serve as the Registrar (the "Registrar") and Paying Agent (the "Paying Agent") for the Bonds. In the Bond Resolution, the District covenants to provide a Paying Agent/Registrar at all times until the Bonds are paid, and any Paying Agent/Registrar selected by the District shall be a commercial bank, a trust company, a financial institution or any other entity, as provided by State law, duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar. The Registration Books for the Bonds will be maintained by the Paying Agent/Registrar containing the names and addresses of the registered owners of the Bonds. In the Bond Resolution, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Registration Books to the successor Paying Agent/Registrar. In the event there is a change in the Paying Agent/Registrar for the Bonds the District has agreed to notify each registered owner of the Bonds affected by the change by United States mail, first-class postage prepaid, at the address in the Registration Books, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the fifteenth day of the month preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after

the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Optional Prior Redemption

The Bonds maturing on or after August 1, 2029 may be redeemed prior to their scheduled maturities on August 1, 2028, or on any date thereafter, in whole or in part, at the option of the District, with funds derived from any available and lawful source, at the redemption price of par, plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the Bonds to be redeemed. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date, provided funds for the payment of the redemption price are held by the Paying Agent/Registrar on the redemption date.

Redemption Notices

The Registrar must, by first class mail, give redemption notices to the registered owners of the affected bonds and to various securities depositories and information services not less than 30 days prior to the redemption date. *Please note that failure to give notice or any defect in such notice will not affect the validity of the redemption for the Bonds which notice was properly given.* No transfer of the Bonds called for redemption shall be made within 45 days of the date of redemption.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption have been met and moneys sufficient to pay the principal of and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

While the Bonds remain under the Book-Entry-Only System, the Paying Agent/Registrar will send notices only to DTC. Any problems from DTC through its system to the beneficial owners of the Bonds will not affect the validity of the Bond redemption or any other action based on the Paying Agent/Registrar's notice. Investors in the Bonds might consider arranging to receive redemption notices or other communications from DTC which affect them, including notice of interest payments. See "Book-Entry-Only System" in Appendix C.

If the Paying Agent/Registrar gives proper redemption notice and the Paying Agent/Registrar holds money to pay the redemption price of the affected Bonds, then on the redemption date the Bonds called for redemption will become due and payable. Thereafter, no interest will accrue on those Bonds, and their owners' only right will be to receive payment of the redemption price upon surrender of those Bonds to the Registrar.

Transfers and Exchanges

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the principal office of the Paying

Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner of his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required to transfer or exchange any Bond during (i) the period commencing at the close of business on the Record Date and ending at the opening of business on the next interest payment date and (ii) with respect to the Bonds called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Limited Book-Entry Responsibilities

While a book-entry-only system is used for the Bonds, the Paying Agent/Registrar will send redemption and other notices only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the Bond redemption or any other action based on the notice.

The District and the Financial Advisor have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

The District and the Financial Advisor cannot and do not give any assurances that DTC will distribute payments to DTC Participants or that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominees as the holder or any redemption notices or other notices to the beneficial holders, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

Defeasance

The Bond Resolution provides for the defeasance of the Bonds and the termination of the pledge of taxes and revenues and all other general defeasance covenants in the Bond Resolution under certain circumstances described below.

- Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding ("Defeased Bond") within the meaning of the Bond Resolution, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for, on or before such due date, by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Government Obligations that mature as to the principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services, until all Defeased Bonds shall have become due and payable, or (3) and combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond, as described herein above, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the ad valorem taxes herein levied and pledged as provided in the Bond Resolution, and such principal and interest shall be payable solely from such money or Government Obligations.
- (b) Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the District also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar, which is not required for the payment of the

Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District or deposited as directed in writing by the District.

- (c) The term "Government Obligations" as used in this Section, shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations, such as its State and Local Government Series, which may be in book-entry form and any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds.
- (d) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Resolution.

COVID-19

Infection Disease Outbreak - COVID-19

A respiratory disease named "coronavirus disease 2019" ("COVID-19") has recently spread to most parts of the world, including New Mexico and throughout the U.S. On March 11, 2020, COVID-19 was declared a pandemic by the World Health Organization. Following the World Health Organization's declaration of the outbreak of COVID-19 as a pandemic, state and local governments, including the State of New Mexico, have announced orders, recommendations and other measures intended to limit the size of public gatherings and regulate public spaces intended to minimize interpersonal contact and slow the spread of COVID-19.

On March 11, 2020, New Mexico Governor Michelle Lujan Grisham issued Executive Order 2020-004, declaring a state of public health emergency and directing State agencies to use all resources necessary to prepare for and respond to the outbreak. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic. Governor Lujan Grisham and New Mexico Department of Health Secretary Kathyleen Kunkel have issued additional orders that, among other things, order the closure of all public schools, businesses and non-profit entities except for those deemed essential, advise the public to stay home except for necessary outings, and direct that hotels, motels, RV parks, and other places of lodging shall not operate at more than 25% of maximum occupancy and prohibit mass gatherings. Beginning June 1st, New Mexico entered the next phase of reopening that allows the previously mentioned places, restaurants and gyms to operate at a 50% capacity and the opening of hair salons, indoor malls, tattoo parlors and massage services to open at a 25% capacity. There can be no assurance that additional restrictions applicable to lodging occupancy, travel, mass gatherings, or other matters won't be imposed. Please visit Governor Lujan Grisham's website, www.governor.state.nm.us, for any additional executive orders issued by Governor Lujan Grisham related to COVID-19.

The New Mexico Department of Health (NMDOH) provides information relating to COVID-19 and related developments in the State of New Mexico on its website, https://cv.nmhealth.org/. The information presented on the NMDOH website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this document.

Potential Impact of COVID-19

The current spread of COVID-19 is altering the behavior of businesses and people in a manner that may have negative effects on economic activity, and therefore adversely affect the financial condition of the District, either directly or indirectly. The District cannot predict (i) the duration or extent of the COVID-19 outbreak/pandemic; (ii) the duration or expansion of public health orders, regulations or legislation, mandated or voluntary business closings, travel restrictions or warnings; (iii) the extent or duration of the negative effects that any COVID-19 or other outbreak/pandemic-related orders, regulations, legislation, restrictions or warnings will have on the local or global economy; (iv) the duration of lodging occupancy and travel restrictions or (v) the extent of the adverse financial impact that such circumstances or economic effects will have on ad valorem property tax collections or the District's financial condition. In addition,

financial markets in the United States and globally have experienced significant volatility or declines in connection with the COVID-19 which may have a material impact on the market price and marketability of the Bonds.

Measures taken to prevent or reduce the spread of COVID-19 could limit the growth of or reduce economic activity in the State and the District, which in turn could limit the growth of or reduce the District's ad valorem collections or negatively affect property values within the District. The Bonds are secured by an unlimited ad valorem tax, payable from general (ad valorem) property taxes which are required to be levied against all taxable property in the District without limitation as to rate or amount. Any reduction in the property values within the District may require an increase in the ad valorem tax rate required to pay such obligations. The duration, extent and impact of COVID-19 on the New Mexico economy and the District's revenues, expenses, cash flow and property tax valuations is uncertain and cannot be quantified at this time. The District continues to monitor the spread of COVID-19 and is working with local, state, and national authorities to address the potential impact of the COVID-19 pandemic upon the District. While the potential impact of the COVID-19 pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition or its rating. The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of COVID-19 and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of COVID-19 on the District's financial condition. Notwithstanding the foregoing, the District does not believe that the impacts of the spread of COVID-19 will have a material adverse effect on its ability to pay debt service on the Bonds.

During the 2020 special legislative session which ended on June 22, 2020, the legislature reduced the state budget by adjusting various accounts, swapping cash for debt, eliminating or reducing some capital outlay projects, drawing down half of the state's reserves and taking credit for approximately one billion dollars of federal CARES Act money, and other emergency funding. The Governor signed the final budget passed by the legislature but vetoed approximately \$30 million in cuts resulting in total reductions of approximately \$415 million from the \$7.6 billion budget approved during the regular 2020 legislative session. Cuts to public education included reductions and adjustments to the State Equalization Guarantee (SEG) distribution to reflect funding support from the elementary and secondary school emergency relief fund of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, reduced K-5 Plus Act funding, and reductions to budgeted salary increases.

The financial data contained herein are the latest available, but are as of dates and periods prior to the economic impact of COVID-19.

Reopening Plans for 2020-2021 School Year

The District is currently developing a plan for how the District will return in the Fall of 2020 (the "Reopening Plan").

The Reopening Plan is a living document, informed by plans from fellow school districts and NM PED, and the District acknowledges that updates will be needed as knowledge about COVID-19 advances and best practices evolve. The Reopening Plan is also subject to changing guidelines from the U.S. Centers for Disease Control and Prevention, New Mexico Department of Health, and local experts of the District.

The District currently anticipates that it will be open and ready for students in August 2020 as planned. The District is currently planning for both a remote learning environment, as well as a hybrid model of instruction.

Hybrid Model

Under the hybrid model of the Reopening Plan, students will have two days of direct instruction (face-to-face with teachers) and three days of eLearning. The model will look as follows:

	Monday	Tuesday	Wednesday	Thursday	Friday
Cohort A	Direct Instruction	Direct Instruction	eLearning	eLearning	eLearning
Cohort B	eLearning	eLearning	Direct Instruction	Direct Instruction	eLearning

The hybrid model will allow for direct instruction, eLearning synchronous/asynchronous environments, and Friday on-line learning check-ins. Teachers will also be able to schedule parent conferences on Fridays.

School staff will also use Fridays for professional development, lesson planning and development, and Professional Learning Communities.

Adding flexibility to instructional delivery allows the District the option to move instruction off campus to adapt to a resurgence of COVID-19 if needed. The hybrid model will require students to attend face-to-face, direct instruction only a portion of the time, with remote instruction at other times. Some definitions:

- 100% online asynchronous delivery: Students complete work independently, on their own schedule, no matter what time of day. Students are given deadlines by which they need to login and complete assignments.
- 100% online synchronous delivery: Classes occur on set schedules through remote delivery.
 Students and instructors are online at the same time, and lectures, discussions, and presentations take place at specific hours. All students must be online at that time in order to participate in the class.
- Hybrid: Content delivery incorporates more than one modality, e.g., concurrent face-toface and remote synchronous or asynchronous delivery. All students participate in all delivery modalities.

100% eLearning Model

Under the 100% eLearning Model of the Reopening Plan, families will have an option for 5 days of eLearing Instruction. Both the Hybrid Model and the 100% eLearning Model will use Canvas as the Learning Management System. The curriculum will be based on numerous online platforms that will support all core areas of the curriculum.

Calendar for Re-Entry

August 3-11: Students will return to school. This is an opportune time for both students that will be working in a Hybrid Model or for students that are working in a 100% eLearning Model to visit, in small groups, with their teacher. This will be treated as a transition time for students to re-enter the educational setting. Students will have the opportunity to check out technology devices, learn how to use the Learning Management System (Canvas), familiarize themselves with the online learning curriculum, and prepare for either the hybrid model or the 100% remote learning model.

August 12: All students will start the school year in the 100% eLearning Model. Students involved in the Hybrid Model will increase their "in-person" learning between August 12 and September 4. Each week, students will increase opportunities to work in science labs, math labs, CTE classes, band, electives, PE, music programs, art programs, etc.

September 8: The Hybrid Model will be fully implemented.

The Reopening Plan is subject to change pending New Mexico Department of Health orders.

SOURCES AND USES OF FUNDS

It is anticipated that the proceeds of the Bonds will be applied as follows:

Sources	
	Par Amount of Bonds
	Premium
	Total
Uses	
	Project Fund
	Costs of Issuance*
	Underwriter's Discount
	Total

^{*}Include fees for bond counsel, municipal advisor, bond ratings and other issuance costs

SECURITY AND REMEDIES

The Bonds are general obligations of the District payable from general (ad valorem) property taxes that may be levied against all taxable property within the District without limitation of rate or amount.

The Bonds are secured by the obligation to levy and collect upon all taxable property within the District a tax levy sufficient, together with other legally available revenues, to meet the debt service on the Bonds. Such annual levy for debt service creates a statutory tax lien which can be enforced personally against the owner of the property and enforced by sale of the property. Neither the State nor any other political subdivision of the State, other than the District, has any responsibility to pay debt service on the Bonds.

Various New Mexico laws and constitutional provisions apply to the assessment and collection of ad valorem property taxes. There is no guarantee that there will not be any changes that would have a material effect on the District.

The Bonds are additionally secured by the New Mexico School District Enhancement Program as discussed in more detail under "New Mexico School District Enhancement Program" herein.

Limitations of Remedies

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds, including mandamus, may have to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the District in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM

The New Mexico legislature amended NMSA 1978, Sections 22-18-1 et. seq. in the first session of 2003 by adding Section 22-18-13 which became effective July 1, 2003. Sections 22-18-13 was further amended in 2007 and provides that, if a school

district indicates that it will not make the payment by the date on which it is due, the New Mexico Department of Finance and Administration ("DFA") shall forward the amount in immediately available funds necessary to make the payment due on the bonds to the paying agent from the current fiscal year's undistributed State Equalization Guarantee ("SEG") distribution to that school district and, if not otherwise repaid by the school district from other legally available funds, withhold the distributions from the school district until the amount has been recouped by the DFA, provided that, if the amount of the undistributed SEG distribution in the current fiscal year is less than the payment due on the bond, the DFA shall:

- (1) forward in immediately available funds to the paying agent an amount equal to the total amount of the school district's undistributed SEG distribution and, if not otherwise repaid by the school district from other legally available funds, withhold all distributions to the school district for the remainder of the fiscal year; and
- (2) on July 1 of the following fiscal year, forward in immediately available funds an amount equal to the remaining amount due to the paying agent from that year's SEG distribution and, if not otherwise repaid by the school district from other legally available funds, withhold an equal amount from the distribution to the school district until the amount paid has been recouped in full.

This provision applies to all New Mexico school districts.

Withholding of the SEG distribution may affect the District's ability to continue to operate.

To qualify for the New Mexico School District Enhancement Program, Section 22-18-13 NMSA 1978 requires filing the authorizing bond resolution, bond offering documents and contact information for the paying agent for the bonds with DFA. Failure to file such information will not invalidate the obligation of the State Treasurer to pay the bond payment and withhold the SEG distribution.

The New Mexico School District Enhancement Program was initially put on watch list for possible downgrade on May 15, 2007 after the state adopted new legislation that altered the mechanics of the program. After a review of the law and policies regarding the implementation of the law, program ratings were bifurcated, with one rating applying to bonds issued prior to the March 30, 2007 effective date of the legislation and a second rating applying to bonds issued on or after the March 30, 2007 effective date. Under the new law, the State cannot immediately advance more than the remaining undistributed SEG payments for the fiscal year of default. As a result, those districts with principal and interest payments that fall in the latter part of the fiscal year or that are significant in amount relative to the district's total annual SEG distribution may not have sufficient undistributed SEG payments to cover debt service payments in the event of a default.

On June 18, 2018, Moody's downgraded the enhancement rating from "Aa2" to "Aa3" and assigned a stable outlook.

The Moody's rating for the SEG is "Aa3" and extends only to the Bonds.

Moody's has assigned the "Aa3" rating to school district bonds upon verification of a requirement in the authorizing bond resolution that an independent, third-party paying agent will be appointed and maintained. The District has qualified the Bonds under the SEG and is expected to receive a rating of "Aa3" on the Bonds.

DEBT AND OTHER FINANCIAL OBLIGATIONS

Article IX, Section 11 of the New Mexico Constitution limits the powers of a district to incur general obligation debt extending beyond the fiscal year. The District can incur such debt 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, or any combination of these purposes but only after the proposition to create any such debt has been submitted to a vote of the qualified electors of the District, and a majority of those voting on the question vote in favor of creating the debt. The total indebtedness of the District may not exceed 6% of the assessed valuation of the taxable property within the District as shown by the last preceding general assessment. The District also may create a debt by entering into a lease-purchase arrangement to acquire education technology equipment without submitting the proposition to a vote of the qualified electors of the District, but any such debt is

subject to the 6% debt limitation. An issuance of refunding bonds does not have to be submitted to a vote of the qualified electors of the District.

The assessed valuation of taxable property within the District is \$618,010,537 for tax year 2019. Therefore, the maximum general obligation debt may not exceed \$37,080,632.

After the Bonds are issued, the ratio of total outstanding net general obligation debt of the District to the 2019 assessed valuation will be no greater than 4.31% as summarized:

2019 Assessed Valuation 2019 Actual Valuation ⁽¹⁾	\$618,010,537 \$2,165,190,300
Bonded Debt	
Current Total Outstanding (Including the Bonds) (2)	\$28,680,000
Less Debt Service Fund Balance (3)	2,038,309
NET DEBT	\$26,641,691
Ratio of Estimated Net Debt to 2019 Assessed Valuation:	4.31%
Ratio of Estimated Net Debt to 2019 Estimated Actual Valuation:	1.23%
Per Capita Net Bonded Debt:	\$983.09
Est. Population:	27,100

- (1) Actual valuation is computed by adding exemptions to the assessed valuation and multiplying the result by three.
- (2) Preliminary, Subject to Change.
- (3) The cash balance as of 5/31/2020 was \$2,617,103.05. The amount properly attributable to principal reduction is 77.88%.

Selected Debt Ratios

2019 Assessed Valuation	\$618,010,537
2019 Estimated Actual Valuation (1)	\$2,165,190,300
District General Obligation	
Debt Outstanding (Including the Bonds) ⁽²⁾	28,680,000
District Net General Obligation Debt	\$26,641,691
District Net Debt as a Percentage of	
Assessed Valuation	4.31%
Estimated Actual Valuation	1.23%
Estimated Direct & Overlapping G/O Debt	\$33,755,217
Direct & Overlapping Debt as a Percentage of	
Assessed Valuation	5.46%
Estimated Actual Valuation	1.56%
Estimated Population	27,100
District Net Debt Per Capita	\$983.09
Direct & Overlapping Debt Per Capita	\$1,245.58

⁽¹⁾ Actual valuation is computed by adding exemptions to the assessed valuation and multiplying the result by three.

Outstanding Debt

The District has never defaulted in the payment of any of its debt or other obligations.

Series	Original Amount Issued	Final Maturity	Principal Outstanding
2014	\$ 9,500,000	08/01/2028	\$ 7,050,000
2015	9,480,000	08/01/2029	5,650,000
2016A	9,780,000	08/01/2030	8,550,000
2018	2,500,000	08/01/2031	2,430,000
2019	2,500,000	08/01/2032	2,500,000
2020	2,500,000	08/01/2033	2,500,000
	\$36,260,000		\$28,680,000

⁽¹⁾ The Bonds. Preliminary, subject to change.

Debt Service Requirements to Maturity

The District schedules principal and interest payments at the time of the bond sales with constraints being general obligation debt capacity and expected property tax revenues computed at the desired tax rate. Below is a summary of

⁽²⁾ Preliminary, subject to change.

the currently scheduled principal and interest on the District's outstanding debt as well as the proposed principal and interest payments on the Bonds.

Calendar	lendar Current Requirements		Series 2020 ⁽¹⁾			Total Requirements				
Year	Principal	Interest	Total	Principal	Coupon	Interest	Total	Principal	Interest	Total
2020	\$2,685,000	\$738,807	\$3,423,807					\$2,685,000	\$738,807	\$3,423,807
2021	2,425,000	661,049	3,086,049	\$100,000	5.00%	\$125,000	\$225,000	2,525,000	786,049	3,311,049
2022	2,435,000	591,424	3,026,424	180,000	5.00%	120,000	300,000	2,615,000	711,424	3,326,424
2023	2,345,000	518,874	2,863,874	180,000	5.00%	111,000	291,000	2,525,000	629,874	3,154,874
2024	2,495,000	448,274	2,943,274	180,000	5.00%	102,000	282,000	2,675,000	550,274	3,225,274
2025	2,570,000	374,299	2,944,299	180,000	5.00%	93,000	273,000	2,750,000	467,299	3,217,299
2026	2,570,000	297,324	2,867,324	180,000	5.00%	84,000	264,000	2,750,000	381,324	3,131,324
2027	2,420,000	226,724	2,646,724	100,000	5.00%	75,000	175,000	2,520,000	301,724	2,821,724
2028	2,420,000	166,874	2,586,874	100,000	5.00%	70,000	170,000	2,520,000	236,874	2,756,874
2029	1,730,000	104,024	1,834,024	260,000	5.00%	65,000	325,000	1,990,000	169,024	2,159,024
2030	1,355,000	56,905	1,411,905	260,000	5.00%	52,000	312,000	1,615,000	108,905	1,723,905
2031	550,000	22,255	572,255	260,000	5.00%	39,000	299,000	810,000	61,255	871,255
2032	180,000	5,400	185,400	260,000	5.00%	26,000	286,000	440,000	31,400	471,400
2033				260,000	5.00%	13,000	273,000	260,000	13,000	273,000
TOTAL	\$26,180,000	\$4,212,231	\$30,392,231	\$2,500,000		\$975,000	\$3,475,000	\$28,680,000	\$5,187,231	\$33,867,231

⁽¹⁾ Preliminary, subject to change. Interest rate shown for the Series 2020 Bonds is for illustrational purposes only.

Statement of Estimated Direct and Overlapping Debt

The following is a calculation, which is useful to investors in assessing the debt load and per capita debt of the District payable from property taxes. In addition to the outstanding debt of the District, the calculation takes into account debt attributable to other taxing entities that are the responsibility of taxpayers within the boundaries of the District. Revenue bonds are not payable from property taxes.

	2019 Assessed Value	G/O Debt Outstanding	Percent Applicable	Amount			
State of New Mexico	\$66,906,427,722	\$421,700,000	0.92%	\$3,895,217			
Luna County	618,010,537	-	100.00%	-			
City of Deming	265,341,665	1,180,000	100.00%	1,180,000			
Village of Columbus	18,079,160	-	100.00%	-			
Deming Public Schools	618,010,537	28,680,000 (1)	100.00%	28,680,000			
Total Direct & Overlapping		\$451,560,000		\$33,755,217			
Ratio of Estimated Direct & Over	apping Debt to 2019 Asse	ssed Valuation:		5.46%			
Ratio of Direct & Overlapping Debt to 2019 Estimated Actual Valuation:							
Per Capita Direct & Overlapping Debt:							
Population:				27,100			

⁽¹⁾ Preliminary, subject to change. Interest rate shown for the Series 2020 Bonds is for illustrational purposes only.

TAX BASE

Analysis of Assessed Valuation

Assessed valuation of property within the District is calculated as follows: Of the total estimated actual valuation of all taxable property in the District, 33 1/3 percent is legally subject to ad valorem taxes. This means the assessment ratio is 33 1/3%. After deduction of certain personal exemptions, the District's 2019 assessed valuation is \$618,010,537. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor.

The actual value of certain corporate property within the District (see "Central Assessments" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The analysis of assessed valuation for 2019 and the previous four years follows.

	2019	2018	2017	2016	2015
Assessments					
Value of Land	\$137,737,759	\$128,874,585	\$127,954,629	\$118,850,054	\$118,682,805
Improvements	346,546,788	342,391,815	323,003,472	320,312,461	317,823,711
Personal Property	24,776,606	25,595,698	24,998,987	23,549,593	18,046,112
Mobile Homes	29,761,717	29,400,089	29,213,354	28,863,501	28,773,488
Livestock	7,259,812	8,811,481	10,021,441	13,170,613	10,948,912
Assessor's Total Value	\$546,082,682	\$535,073,668	\$515,191,883	\$504,746,222	\$494,275,028
Less Exemptions					
Total Exemptions	\$103,719,563	\$101,979,894	\$86,689,786	\$85,980,618	\$85,609,633
	• • • • • • • • • • • • • • • • • • • •	•			
Assessor's Net Valuation	\$442,363,119	\$433,093,774	\$428,502,097	\$418,765,604	\$408,665,395
Central Assessed	175,647,418	147,225,706	165,740,370	161,496,326	141,963,909
Total Assessed Valuation	\$618,010,537	\$580,319,480	\$594,242,467	\$580,261,930	\$550,629,304
Residential	\$267,148,902	\$259,212,337	\$256,553,930	\$245,859,020	\$243,299,437
Non-Residential	350,861,635	321,107,143	337,688,537	334,402,910	307,329,867
	\$618,010,537	\$580,319,480	\$594,242,467	\$580,261,930	\$550,629,304

Source: State of New Mexico, Taxation & Revenue Department, Property Division, and Luna County Assessor's Office

Major Taxpayers

The following is a list of the ten largest taxpayers in the District, along with the 2019 assessed valuation for each. Property taxes are current for these taxpayers. This table is useful in assessing the concentration risk of the tax base. The ten largest taxpayer's assessed valuation is 27% of the District's total 2019 assessed value.

Taxpayer	Business	2019 Assessed Valuation	% of District A.V.
Union Pacific	Railway	\$52,942,109	8.6%
Public Service Company of NM	Electric Utility	28,753,208	4.7%
El Paso Natural Gas Company	Gas Utility	18,187,042	2.9%
Tucson Electric	Electric Generation	16,718,931	2.7%
Sam Chully	Electric Generation	16,413,507	2.7%
BNSF Railway	Railway	15,211,100	2.5%
SFPP, LP	Pipeline	8,925,685	1.4%
Columbus Electric Cooperative	Electric Utility	4,746,959	0.8%
El Paso Electric Company	Electric Utility	3,731,612	0.6%
Century Link	Telephone	1,271,402	0.2%
Total		\$166,901,555	27.0%

Source: Luna County Assessor's Office

School Tax Rates

The following table shows the historical school tax levies on property within the District since the 2015 tax year (2014-15 fiscal year). The Two Mill Levy, a capital improvements tax imposition, is renewed every six years, most recently in November 5, 2019.

This table breaks down the District's total tax rate shown in the next table.

Tax Year	Operational		Two	Mill Levy	G/O Bonds	T ₁	otal
Tax Teal	Resid.	Non-Resid.	Resid.	Non-Resid.	GO Bollus	Resid.	Non-Resid.
2015	\$0.498	\$0.500	\$2.000	\$2.000	\$6.234	\$8.732	\$8.734
2016	0.498	0.500	1.997	2.000	5.641	8.136	8.141
2017	0.482	0.500	1.934	2.000	5.741	8.157	8.241
2018	0.493	0.500	1.978	2.000	5.744	8.215	8.244
2019	0.500	0.500	2.000	2.000	5.754	8.254	8.254

Source: New Mexico Department of Finance & Administration.

Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question. The following table summarizes the tax situation on residential property for the 2019 tax year and the previous four years. The District expects no change in the level of its taxes in the foreseeable future but is unable to predict what overlapping entities might do. A high level of taxation may impact the District's ability to repay its general obligation bonds.

Within 20 Mill Limit for General Purposes						
	2019	2018	2017	2016	2015	
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	
Luna County	10.004	9.821	9.602	9.918	9.931	
City of Deming	4.475	4.445	4.330	4.451	4.418	
Deming Schools	0.500	0.493	0.482	0.498	0.498	
Total	14.979	14.759	14.414	14.867	14.847	
Over 20) Mill Limit - Interest,	Principal, Judge	ement, etc.			
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360	
Luna County	0.000	0.000	0.000	0.000	0.000	
City of Deming	0.767	1.495	0.000	0.000	0.000	
Deming Schools	7.754	7.722	7.675	7.638	8.234	
Total	9.881	10.577	9.035	8.998	9.594	
	Total	Levy				
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360	
Luna County	10.004	9.821	9.602	9.918	9.931	
City of Deming	5.242	5.940	4.330	4.451	4.418	
Deming Schools	8.254	8.215	8.157	8.136	8.732	
Total Residential - Deming	24.860	25.336	23.449	23.865	24.441	
Total Non-Residential - Deming	26.706	27.424	25.926	25.826	26.419	
Total Residential - Columbus	22.792	22.550	22.249	23.062	23.647	

27.350

28.399

28.523

28.381

28.989

Source: State of New Mexico, Department of Finance & Administration

Total Non-Residential - Columbus

Yield Control Limitations

State law limits property tax increases from the prior property tax year. Specifically, no taxing entity may set a rate or impose a tax (excluding oil and gas production ad valorem and oil and gas production equipment ad valorem taxes) or assessment that will produce revenues that exceed the prior year's tax revenues from residential and non-residential property multiplied by a "growth control factor." The growth control factor is the percentage equal to the sum of (a) "percent change I" plus (b) the prior property tax year's total taxable property value plus "net new value," as defined by statute, divided by such prior property tax year's total taxable property value. However, if that percentage is less than 100%, the growth control fact or is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication, "Survey of Current Business," or any successor publication) and is a percent (not to exceed 5%) that is derived by dividing the increase in the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year. The growth control factor applies to authorized operating levies and to any capital improvements levies but does not apply to levies for paying principal and interest on public general obligation debt including the Bonds.

Developments Limiting Residential Property Tax Increases

In an effort to limit large annual increases in residential property taxes in some areas of the State (particularly the Santa Fe and Taos areas which have experienced large increases in residential property values in recent years), an amendment to the uniformity clause (Article VIII, Section 1) of the New Mexico Constitution was proposed during the 1997 Legislative Session. The amendment was submitted to voters of the State at the general election held on November 3, 1998 and was approved by a wide margin.

The amendment directs the Legislature to provide for valuation of residential property in a manner that limits annual increases in valuation. The limitation may be applied to classes of residential property taxpayers based on occupancy, age or income. Further, the limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions for applying the limitations.

Bills implementing the constitutional amendment were enacted in 2001 and were codified as NMSA 1978, Sections 7-36-21.2 and 7-36-21.3.

Section 7-36-21.2, establishes a statewide limitation on residential property valuation increases beginning in tax year 2001 (the "Statutory Valuation Cap on Residential Increases"). Annual valuation increases are limited to 3% over the prior year's valuation or 6.1% over the valuation from two years prior. Subject to certain exceptions, these limitations do not apply:

- 1. To property that is being valued for the first time;
- 2. To physical improvements made to the property in the preceding year:
- 3. When the property is transferred to a person other than a spouse, or a child who occupies the property as his principal residence and who qualifies for the head of household exemption on the property under the Property Tax Code:
- 4. When a change occurs in the zoning or use of the property; and
- 5. To property that is subject to the valuation limitations under NMSA 1978, Section 7-36-21.3.
- 6. To the extent that court or legislative action is taken or a further constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property within the boundaries of the District.

Section 7-36-21.3 places a limitation on the increase in value for property taxation purposes for single-family dwellings occupied by low-income owners who are 65 years of age or older or who are disabled. The statute fixes the valuation of the property to the valuation in the year that the owner turned 65 or became disabled. The Section 7-36-21.3 limitation does not apply to:

- 1. Property that is being valued for the first time;
- 2. A change in valuation resulting from physical improvements made to the property in the preceding year; and

3. A change in valuation resulting from a change in the zoning or permitted use of the property in the preceding year.

Amendments to State laws affecting residential property taxes are proposed from time to time and may be proposed in the future by the Legislature. Such amendments, if enacted, could result in an increase to the tax rate imposed on residential property tax within the District in order to pay the principal of and interest on general obligation bonds issued by the District, including the Bonds.

The constitutionality of the property tax limitation has been challenged in a number of venues. On March 28, 2012, the New Mexico Court of Appeals upheld the statutory valuation cap and its application under Section 7-36-21.2 NMSA 1978, which ruling was affirmed by the New Mexico Supreme Court in June, 2014. The New Mexico Legislature has brought up the issue of the disparity in valuations in the past several years, but has not enacted any of the bills into law.

Tax Collections

The level of tax collections is an important component in the analysis of the ability to pay principal and interest on a timely basis. General property taxes, with the exception of those taxes on oil and gas production and equipment for all units of government, are collected by the County Treasurer and distributed monthly to the various political subdivisions to which they are due. Property taxes are due in two installments. The first half is due on November 10 and becomes delinquent on December 10. The second half installment is due on April 10 and becomes delinquent on May 10. Collection statistics for all political subdivisions for which the County Treasurer collects taxes are as follows:

Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Current Tax Collections ⁽¹⁾	Current Collections as a %of Net Levied	Current/ Delinquent Tax Collections ⁽²⁾	Current/Delinquent Collections as a %of Net Levied
2019	19/20	\$15,218,248	\$13,543,532	89.00%	\$13,543,532	89.00%
2018	18/19	14,865,997	13,646,380	91.80%	14,203,120	95.54%
2017	17/18	14,444,445	13,065,440	90.45%	13,772,910	95.35%
2016	16/17	14,164,615	12,851,133	90.73%	13,676,641	96.55%
2015	15/16	14,201,231	12,947,757	91.17%	13,781,994	97.05%

⁽¹⁾ Current collections through June 30 of each year except for tax year 2019 (as of May 2020)

Source: Luna County Treasurer's Office

Interest on Delinquent Taxes

Pursuant to NMSA 1978, Section 7-38-49, if property taxes are not paid for any reason within 30 days after the date they are due, interest on the unpaid taxes shall accrue from the 30th day after they are due until the date they are paid. Interest accrues at the rate of 1% per month or any fraction of a month.

Penalty for Delinquent Taxes

Pursuant to NMSA 1978, Section 7-38-50, if property taxes become delinquent, a penalty of 1% of the delinquent tax for each month, or any portion of a month, they remain unpaid must be imposed, but the total penalty shall not exceed 5% of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of intent to defraud by the property owner, 50% of the property tax due or \$50.00, whichever is greater, shall be added as a penalty.

⁽²⁾ As of May 2020

Remedies Available for Non-Payment of Taxes

Pursuant to NMSA 1978, Section 7-38-47, property taxes are the personal obligation of the person owning the property on the date upon which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

Taxes on real property are a lien against the real property. Pursuant to NMSA 1978, Section 7-38-65, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

Pursuant to NMSA 1978, Section 7-38-53, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property upon which taxes are delinquent.

Protest

Pursuant to Section 7-38-39 NMSA 1978, after receiving his or her property tax bill and after making payment prior to the delinquency date of all property taxes due in accordance with the bill, a property owner may protest the value or classification determined for his or her property for property taxation purposes, the allocation of value of his or her property to a particular governmental unit, the application to his or her property of an administrative fee adopted pursuant to Section 7-38-36.1 NMSA 1978 or a denial of a claim for an exemption by filing a claim for refund in the district court. Pursuant to Section 7-38-41 NMSA 1978, the portion of any property taxes paid to the County Treasurer that is not admitted to be due and is the subject of a claim for refund will be deposited in a "property tax suspense fund." Moneys in the property tax suspense fund may not be used for the payment of debt service on the Bonds.

THE DISTRICT

The District is a political subdivision of the State organized for the purpose of operating and maintaining an educational program for school-age children residing within its boundaries.

The District encompasses all of Luna County and is located in southwestern New Mexico. The District contains approximately 2,968 square miles with an estimated population of 27,100. The District operates seven elementary schools, two middle schools, two high schools and one alternative high school.

School District Powers

The District's powers are subject to regulations adopted by the New Mexico Public Education Department ("PED"). Pursuant to an amendment to Article XII, Section 6 of the New Mexico Constitution, adopted at a special election held September 23, 2003, the Secretary of Education (the "Secretary") is the governing authority and has control, management, and direction of all public schools pursuant to power provided by law. The Secretary further exercises supervision and authority over the PED. Generally, the powers of the Secretary and the PED include determining policy regarding operations of all public schools, designating courses of instruction, adopting regulations, determining qualifications for teachers, counselors and their assistants, and prescribing minimum educational standards. The Secretary may order the creation or consolidation of school districts.

Management

The Board, subject to regulations of the Secretary of the PED, develops educational policies for the District. The Board employs a superintendent of schools, delegates administrative and supervisory functions to the superintendent, including fixing the salaries of all employees, reviews and approves the annual District budget, has the capacity to sue and be sued, contracts, leases, purchases and sells for the District, acquires and disposes of all property, develops educational policies subject to rules of the PED and adopts regulations pertaining to the administration of all powers or duties of the Board. Members serve without compensation for four-year terms of office in non-partisan elections held on the first Tuesday after the first Monday in November of odd numbered years. The District Board Members are:

<u>Bayne Anderson</u>, President term expires December 31, 2024

William "Billy" Ruiz, Vice President; term expires December 31, 2021

Amy Delaney-Hernandez, Secretary, term expires December 31, 2024

<u>Daniel Krowl</u>, Member; term expires December 31, 2021

Kenneth Teague, Member; term expires December 31, 2024

The Superintendent of Schools is selected by and serves at the discretion of the Board. All other staff members are selected by the Superintendent. The current Administrative Staff is:

Dr. Arsenio Romero, Superintendent of Schools:

Dr. Arsenio Romero is a native of New Mexico. Currently, Dr. Romero is the Superintendent of Deming Public Schools. He also is a Turnaround Leader for Principals Pursuing Excellence and an adjunct professor for both Eastern New Mexico University and New Mexico State University. Previous to that, Dr. Romero worked as the Assistant Superintendent of Instruction for the Roswell Independent School District and Turnaround Leader with the Las Cruces Public Schools at which he was responsible for the Joint Ungraded Multiage Primary (J.U.M.P.) in seven elementary schools and the Leading Edge Acceleration Program (L.E.A.P) within the Mesilla Valley Alternative Middle School. His leadership background focuses on turnaround initiatives, leadership development, multiage environments, using technology to enhance learning and politics in the educational setting. Dr. Romero received his Bachelor of Science in Elementary Education at New Mexico State University, a Masters in Educational Leadership from the University of New Mexico and a Doctorate in Educational Management and Development at New Mexico State University.

Lesley Doyle, Chief Finance Officer:

Lesley Doyle is the Chief Finance Officer for Deming Public Schools. She has been with the District for over two years. During this time, she has implemented new financial software, managed multiple successful audits with different agencies and streamlined many of the processes in the finance department. Prior to coming to Deming Public Schools, she worked for New Mexico State University. She held multiple positions at the University, each with increasing levels of responsibility. She worked in Sponsored Projects Accounting, monitoring grant funding for compliance; Cost Accounting and Reporting, where she calculated the University indirect cost and benefits rates; and Accounting and Financial Reporting. She became the Director of Accounting and Financial Reporting in 2013 and oversaw all unrestricted and plant fund accounting and prepared the University financial statements. While at the University, she earned her Masters of Business Administration.

Insurance

The District is a member of the New Mexico State Public Schools Insurance Authority (the "Insurance Authority"), which was established to provide a comprehensive insurance program for school districts, board members and retirees, and public school employees and retirees within the State. The Insurance Authority provides risk related insurance such as worker's compensation, property and casualty insurance, general automobile and fire insurance, and general liability insurance for the District, its property, its Board members and employees. The Insurance Authority also provides group health insurance to the District.

Enrollment

Set forth below is the District's enrollment for the school years 2015-16 through 2019-20 including special education and bilingual students. For a discussion of the relationship between student enrollment and amounts of financial support provided by the State for public schools, see "FINANCES OF THE EDUCATIONAL PROGRAM - SOURCES OF REVENUES FOR GENERAL FUND".

School Year	Enrollment	Charter School	Total	%Change Over Previous Year
2015-16	5,284	116	5,400	0.86%
2016-17	5,211	133	5,344	-1.04%
2017-18	5,147	76	5,223	-2.27%
2018-19	5,087	158	5,245	0.42%
2019-20	5,142	157	5,299	1.04%

Source: New Mexico Public Education Department

FINANCES OF THE EDUCATIONAL PROGRAM

The basic format for the financial operation of the District is provided by the PED through the School Budget Planning Division, which is directed by State law to supervise and control the preparation of all budgets of all school districts. The District receives revenue from a variety of local, state and federal sources, the most important of which are described below. New Mexico's public school finance laws are subject to review and examination through both the judicial and legislative processes. As a result, the District cannot anticipate with certainty all of the factors that may influence the financing of its future activities. There is no assurance that there will not be any change in, interpretation of or additions to the applicable laws, provisions and regulations that would have a material effect, directly or indirectly, on the affairs of the District.

Sources of Revenues for General Fund

The General Fund is used to account for resources of the operational fund, student activity funds and other resources not accounted for in another fund. The sources of revenue for the District's General Fund are:

<u>Local Revenues</u> - Local revenues are a minor source of revenue to the District made up, in part, by a property tax annually levied on and against all of the taxable property within the District for operational purposes. The levy is limited by State law to a rate of 50 cents for each \$1,000 of net taxable value of taxable property. Other sources of local revenues include interest income earned on the District's investments, rentals and sale of property. In the fiscal year 2019, the District received \$613,420 from local sources.

<u>Federal Revenues</u> - Another minor source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs and P.L. 874 federal impact moneys paid to the District in lieu of taxes on federal land located in the District. In fiscal year 2019, the District received \$288,480 in federal revenues for its General Fund.

<u>State Revenues</u> - The District's largest source of annual revenue is derived from the State Equalization Guarantee distribution described below. During fiscal year 2019, the District received \$42,213,513 from state sources. Such payments represented approximately 98% of actual fiscal year 2019 General Fund Revenues.

State Equalization Guarantee Program

The State Legislature enacted New Mexico's current public school funding formula in 1974. Designed to distribute operational funds to local school districts in an objective manner, the funding formula is based upon the educational needs of individual students and costs of the programs designed to meet those needs. Program cost differentials are

based upon nationwide data regarding the relative costs of various school programs, as well as data specific to New Mexico. The objectives of the formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in an objective manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The formula is divided into three basic parts:

- 1. Educational program units that reflect the different costs of identified programs;
- 2. Training and experience units that attempt to provide additional funds so that districts may hire and retain better educated and more experienced instructional staff; and
- Size adjustment units that recognize local school and community needs, economies of scale, types of students, marginal cost increases for growth in enrollment from one year to the next, and adjustments for the creation of new districts.

SEG payments are made monthly and prior to June 30 each fiscal year. The calculation of the distribution is also based on the local and federal revenues received from July 1 of the previous fiscal year through May 31 of the fiscal year for which the State distribution is being computed. In the event that a district receives more SEG funds than its entitlement, that district must make a refund to the State's general fund.

Even though the current public school funding formula has been in place for more than two decades, some districts have indicated a concern about the fact that some districts receive less revenue per pupil compared to others. In response to these concerns, the Legislature, the Governor, and the State Board of Education authorized an independent, comprehensive study of the formula that was conducted in 1996. In its principal finding the independent consultant concluded, "... When evaluated on the basis of generally accepted standards of equity, the New Mexico public school funding formula is a highly equitable formula. . . .[S]pending disparities are less than in other states and statistically insignificant."

Despite the acknowledged equity of the formula, the independent consultant pointed out a strong perception of unfairness in the so-called "density" factor and in the training and experience computations of some districts. As a result, the Legislature enacted the following changes to the funding formula:

- Required that special education students be counted with regular students with "add-on" weights assigned depending upon the severity of the disability;
- Changed weights for special education ancillary services and included diagnosticians in ancillary services computations; and
- Repealed the so-called "density" factor and replaced it with an at-risk factor that is available to all school districts.

In addition, the equalization funding for a district is based on previous year's enrollment rather than current year enrollment.

SEG payments to the District are as follows:

	Program	
Year	Unit Factor	Amount
2015-2016	\$4,028	39,078,717
2016-2017	3,980	39,107,912
2017-2018	4,054	39,896,312
2018-2019	4,159	42,453,144
2019-2020	4,565	52,272,859

Source: New Mexico Public Education Department

The PED receives federal mineral-leasing funds from which it makes annual allocations to the District for purchasing textbooks. In fiscal year 2019, the District received \$172,618 for textbook purchases.

The District is also reimbursed by the State for the costs of transporting pupils to and from school. These payments are based upon a formula consisting of the number of students per square mile that are transported. In fiscal year 2019 the District received \$2,000,978 for transportation purposes.

Balance Sheet

Listed below is the Balance Sheet (General Fund only) for fiscal years 2015 through 2019. See financial statements for the fiscal year ending June 30, 2019 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2019 and the prior four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit_reports.

	BALANCE S	HEET - GENERAL F	-UND ⁽¹⁾		
Year Ending June 30 Assets:	2015	2016	2017	2018	2019
Cash & investments	\$2,676,479	\$233,907	\$1,942,832	\$1,213,226	\$2,408,187
Receivables	21,611		54,825	62,857	58,755
Due from Other Funds	208,580		1,986,908	3,025,524	3,713,471
Investments		698,298			
Interfund Receivable		2,777,302			82,598
Due from Other Governments		19,319		1,429	
Inventory	222,290	173,686	224,653		
TOTAL	\$3,128,960	\$3,902,512	\$4,209,218	\$4,303,036	\$6,263,011
Liabilities:					
Accounts Payable	\$247,097	\$216,216	\$421,920	\$179,898	\$671,045
Interfund Payable	5,564	1,467,194	1,436,024	837,954	1,204,812
Deferred Revenues	14,647	14,647	56,506	52,647	48,732
TOTAL	\$267,308	\$1,698,057	\$1,962,759	\$1,070,499	\$1,924,589
Fund Equity:					
Reserved for inventory	\$222,290	\$173,686	\$224,653		
Restricted	171,356	115,743			
Subsequent year's expenditures					3,334,446
Undesignated	2,468,006	1,915,026	2,021,806	3,232,537	1,003,976
TOTAL	\$2,861,652	\$2,204,455	\$2,246,459	\$3,232,537	\$4,338,422
Total Liabilities and Fund Equity	\$3,128,960	\$3,902,512	\$4,209,218	\$4,303,036	\$6,263,011

⁽¹⁾ General Fund includes Operational, Transportation and Instructional Materials.

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for the year ended June 30, 2019 is attached as Appendix B.

Statement of Revenues, Expenditures & Changes in Fund Balances

Listed below is the Statement of Revenues and Expenditures (General Fund only) for fiscal years 2015 through 2019. See financial statements for the fiscal year ending June 30, 2019 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2019 and the last four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit_reports.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND (1)					
Year Ending June 30	2015	2016	<u>D BALANCES - GENE</u> 2017	2018	2019
Revenues:					
Property Taxes	\$269,700	\$276,040	\$286,798	\$293,304	\$295,829
Fees and Charges	374,270	2,844	416,496	98,351	145,656
State Sources	39,862,487	40,397,754	37,537,519	38,788,342	40,212,535
Federal Sources	297,966			267,380	288,480
Local Sources				15,350	170,085
Transportation and Distribution			1,769,246	1,996,031	2,000,978
Investment Earnings	2,975	3,350	4,954	8,556	1,522
Miscellaneous	137,205	354,158	137,498	1,783	328
Total Revenues	\$40,944,603	\$41,034,146	\$40,725,289	\$41,469,097	\$43,115,413
Expenditures:					
Instruction	\$23,406,866	\$23,442,425	\$22,940,150	\$22,468,746	\$23,464,803
Support Services - Students	3,742,104	3,676,761	3,678,727	3,831,071	3,823,383
Support Services - Instruction	1,293,708	1,523,597	1,400,404	1,272,300	1,315,369
Support Services - General Administration	1,023,821	952,656	1,169,806	1,020,271	1,133,383
Support Services - School Administration	2,457,859	2,352,640	2,755,543	2,870,943	2,785,351
Central Services	1,013,572	1,102,881	1,262,172	1,249,846	1,462,815
Operation & Maintenance of Plant	5,669,075	5,145,627	5,560,961	5,707,651	5,801,644
Student Transportation	2,243,887	2,355,069	2,354,936	2,060,480	2,291,362
Other Support Services	26,963	17,827	138	-	-
Capital Outlay		<u> </u>	<u> </u>	<u> </u>	5,371
Total	\$40,877,855	\$40,569,483	\$41,122,837	\$40,481,308	\$42,083,481
Excess revenues over expenditures	\$66,748	\$464,663	(\$397,548)	\$987,789	\$1,031,932
Proceeds from Sale of Capital Assets			648,951	7,256	73,953
Net Change in Fund Balance		464,663	251,403	986,078	1,105,885
Fund Balance Beginning of Year	2,794,904	2,861,652	2,242,313	2,246,459	3,232,537
Transfers/Refunds/Adjustments	<u> </u>	<u>-</u> _	<u> </u>	(8,967)	<u> </u>
Fund Balance at End of Year	\$2,861,652	\$2,242,313	\$2,493,716	\$3,232,537	\$4,338,422

⁽¹⁾ General Fund includes Operational, Transportation and Instructional Materials.

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. A portion of the independent audit report for the year ended June 30, 2019 is attached as Appendix B.

Title I Special Revenue Funds

The Special Revenue Fund program 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 criterion that identifies a campus; educational need determines the students to be served. These funds are allocated to the District through PED. Authority is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

Debt Service

The Debt Service Fund is used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Bond Building Capital Projects

The Bond Building Capital Projects Fund 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.

Agency Funds

The Agency 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.

District Budget Process

Each year, the school district budget process begins with the educational appropriations passed by the Legislature and signed into law by the Governor. The actual budget process follows specific steps set forth in the Public School Finance Act:

- Before April 15 of each year, the District must submit an estimated budget for the next school year to the PED. If the District fails to submit a budget, the PED must prepare a District budget for the ensuing year.
- Before June 20 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
- On or before July 1 of each year, the PED must approve and certify an approved operating budget for use by the District board.

No school board, officer or employee of a school district may make an expenditure or incur any obligation for the expenditure of public funds unless that expenditure is made in accordance with an operating budget approved by the PED. This requirement, however, does not prohibit the transfer of funds between line items within a series of a budget. Final budgets may not be altered or amended after approval by the PED except upon the District's request to the PED. Instances in which such requests will be approved include a change within the budget that does not increase the total amount of the budget. Additional budget items may also be approved if the District is to receive unanticipated revenues. Finally, if it becomes necessary to increase the District's budget by more than \$1,000 for any reason other than those listed above, the PED may order a special public hearing to consider the requested increase.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Fund with appropriations lapsing at year-end. Total expenditures of any function category may not exceed categorical appropriations.

To conform to the PED's requirements, budgets for all funds of the District are adopted on the cash basis of accounting except for state instructional material credit. State instructional material funds provide for free textbooks from the PED. As a result, budgets are not prepared in conformity with generally accepted accounting principles (GAAP), and budgetary comparisons are presented on the (Non-GAAP) basis of accounting.

In the wake of the pandemic and severe recession, the New Mexico Legislature met in a special session on June 18 to achieve solvency for state finances and address other matters.

The consensus revenue estimating group followed up on an April report and presented a revised general fund revenue estimate with a reduction of fiscal year 2020 general fund revenue of \$374 million and a reduction in fiscal year 2021 general fund revenue of \$1.98 billion. The fiscal year 2021 forecast is down 25 percent from the December 2019 estimate and 20 percent from fiscal year 2020.

Prior to the special session, the Legislative Finance Committee advanced a staff framework with two bills: general fund appropriations reductions (House Bill 1), and capital outlay voids and fund balance sweeps (Senate Bill 5). These measures reflected significant input, but not total agreement of the executive. The Legislature passed these bills with some amendments and a third bill providing targeted tax relief with modest general fund revenue reductions.

These measures allow use of federal stimulus revenue, reduce or deauthorize nonrecurring appropriations to save almost \$200 million, reduce fiscal year 2021 appropriations by almost \$600 million, and allow use of restricted general fund reserves.

Employees and Retirement Plan

The District employs 866 permanent employees of which 38 are administrators, 348 are teachers and other professional instructional personnel, 162 are instructional assistants, and 318 are support and administrative staff.

ERB Pension Plan

Employees of the District participate in a public employee retirement system authorized under the Educational Retirement Act ("ERA"). The Educational Retirement Board ("ERB"), pursuant to NMSA 1978, Section 22-11-6, is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. The ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information of the plan. That report is available on the ERB's website at www.nmerb.org.

Contributions

The contribution requirements of plan members and the District are established in state statute under NMSA 1978, Chapter 10, Article 11. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2019 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. 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 \$4,107,888 for the year ended June 30, 2019.

The contribution requirements of plan members and the District are established in State statute under NMSA 1978, Chapter 22, Article 11. The requirements may be amended by acts of the legislature.

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which addresses accounting and financial reporting for pensions that are provided to employees of state and local government employers through pension plans that are administered through trusts and also establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. According to Statement No. 68, the District, as a contributor to ERB, is required to recognize its proportionate share of the collective net pension liability, pension expense, and deferred inflows or outflows of resources of the cost-sharing, multi-employer

plan with ERB. The District is assessing the full extent of the effect of the new standards on the District's audited financial statements. Statement No. 68 is effective beginning with the fiscal year ending June 30, 2015 for the District.

In July 2012, the ERB adopted goals of achieving 95%, plus or minus 5% funded ratio by the year 2042. To achieve this goal, the New Mexico Legislature amended the Educational Retirement Act in the 2013 legislative session (Senate Bill 115; Chapter 61, Laws 2013). The amendments increased employee contributions for members whose salary exceeds \$20,000 per year to 10.1% in Fiscal Year 2014 and 10.7% in Fiscal Year 2015 (ERB members who make less than \$20,000 contribute 7.9% of their gross salary). The legislation also kept in place scheduled increases in employer contribution rates, created a new tier membership for persons who become members of the ERB Fund on or after July 1, 2013, created certain actuarial limitations on benefits of new tier members, placed limitations on future cost of living adjustments ("COLA") for current and future retirees which are tied to the future funded ratios of the Fund, and made certain other clarifying and technical changes.

In December 2013, the New Mexico Supreme Court, in *Bartlett v. Cameron*, 316 P.3d 889 (N.M. 2013), rejected the claims of certain retired teachers, professors and other public education employees challenging the state constitutionality of Senate Bill 115 to the extent that it reduces the future amounts that all education retirees might receive as annual COLA. The Court held that Article XX, Section 22 of the New Mexico Constitution did not grant the retirees a right to an annual COLA based on the formula in effect on the date of their retirement for the entirety of their retirement. The Court held that in the absence of any contrary indication from the New Mexico Legislature, any future COLA to a retirement benefit is merely a year-to-year expectation that, until paid, does not create a property right under the New Mexico Constitution. Once paid, the COLA, by statute, becomes part of the retirement benefit, and a property right subject to those constitutional protections.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related</u> to Pensions

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017. At June 30, 2019, the District reported a liability of \$116,776,438 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, 2018. The contribution amounts were defined by NMSA 1978, Section 22-11-21. At June 30, 2018, the District's proportion was 0.98203 percent, which was a decrease of 0.02597 percent from its proportion measured as of June 30, 2017 of 1.00080%.

For the year ended June 30, 2019, the District recognized pension expense of \$19,420,203

Recent Legislative Changes

Recent legislative changes enacted during the 2012, 2013 and 2019 legislative sessions also amended various provisions of the ERA. House Bill 360 below is the most recent legislative action.

House Bill 360 ("HB-360") amends the ERA to increase employer contributions to the educational retirement fund; increase the salary level employees would be required to reach before paying a higher contribution rate; increase the age or years of service requirements for new members to be eligible for retirement and reduce retirement benefits for new employees who work for less than 30 years; make changes to the return-to-work program; require most retirees from the Public Employees Retirement Association (PERA) to make contributions to the educational retirement fund if they become employed by an ERA-covered employer; change the salary calculation for determining retirement benefits for employees that receive a salary increase of more than 30 percent, and require substitute teachers to become members of the Educational Retirement Board (ERB) if they are employed at least one quarter time (0.25 FTE) increase employer contributions .

The law amends ERA to provide for employer contribution of 14.15 percent of annual salary, rather than 14.4 percent of annual salary, eliminate contribution increases in fiscal year 2021 and fiscal year 2022, require that a retired employee working 0.25 FTE or less make nonrefundable contributions to the educational retirement fund, and delayed the date for which substitute teachers with a FTE of more than 0.25 FTE would be required to become a member of

the Educational Retirement Board (ERB) to July 1, 2020. House Bill 2 also approved by the legislature in 2019 included an increases to the state equalization guarantee for fiscal year 2020 to increase employer contributions to ERB to offset the impact of HB 360.

ERB pensions are adjusted annually by a COLA beginning on the later of either July 1 of the year in which a member reaches age 65 or July 1 following the year a member retires. SB-115 reduces the amount of the COLA until the ERB is 100% funded. The amount of the adjustment is determined by the change in the Consumer Price Index ("CPI"), the retiree's pension amount and the retiree's service credit. Pensions cannot be decreased if there is a decrease in the CPI.

Following is a partial history of employer and employee contributions statewide, and average asset balance of the fund:

Fiscal Year Ending June 30	Employer Contributions	Employee Contributions	Net Assets Held in Trust
2015	395,129,621	292,822,396	11,497,723,115
2016	396,988,557	293,847,970	11,532,837,951
2017	395,843,795	292,809,008	12,509,355,910
2018	388,723,983	287,323,804	12,970,300,855
2019	406,549,056	303,442,092	13,544,691,114

Source: New Mexico Educational Retirement Board, Financial Report.

Post-Employment Benefits

Plan Description. Substantially all of the District's full-time employees are provided with other postemployment benefits ("OPEB") through the New Mexico Retiree Health Care Authority ("NMRHCA"). NMRHCA was created by the state's Retiree Health Care Act, Section 10-7C-1 through 10-7C-16, NMSA 1978, as amended, to administer the New Mexico Retiree Health Care Fund ("Plan"). The Plan is a cost-sharing, multiple employer defined benefit healthcare plan established to provide comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan or optional plans of benefits that can be purchased by funds flowing into the retiree health care fund and by co-payments or out-of-pocket payments of eligible retirees.

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

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

Benefits provided. The Act authorizes the NMRHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the NMRHCA or viewed on their website at www.nmrhca.state.nm.us.

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

The Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section NMSA 1978 10-7C- 5(G), at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to NMSA 1978 Section 7-1-6.1 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Act.

The District's contributions to the plan for the year ended June 30, 2019 totaled \$589,637, which equals the required contributions for the year.

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.</u>

At June 30, 2019, the District reported a liability of \$27,948,181 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.64273 percent which was a decrease of .02117 percent from June 30, 2017 of 0.66391 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of negative \$243,098.

TAX MATTERS

Federal Income Tax Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest of which would be included as an alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated in this subsection and the subsection "New Mexico Income Tax Opinion," Co-Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix-D Forms of Opinion of McCall, Parkhurst & Horton L.L.P.

In rendering its opinion, McCall, Parkhurst & Horton L.L.P. will rely upon (a) the District's federal tax certificate and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to

be included in gross income retroactively to the date of issuance of the Bonds. The opinion of McCall, Parkhurst & Horton L.L.P. is conditioned on compliance by the District with such requirements, and McCall, Parkhurst & Horton L.L.P. has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

The opinion rendered by McCall, Parkhurst & Horton L.L.P. represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. The opinion rendered by McCall, Parkhurst & Horton L.L.P. is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion rendered by McCall, Parkhurst & Horton L.L.P. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

New Mexico Income Tax Opinion

On the date of initial delivery of the Bonds, Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P. will render their opinions that interest on the Bonds will be excluded from net income for purposes of New Mexico state income tax. Cuddy & McCarthy, LLP expresses no opinion as to any other federal, state or local tax consequences, except as described in this subsection.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof of one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (1) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (2) the "initial offering price to the public" of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods, which do not exceed one year.

Under existing law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profit tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of an obligation issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local & Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "onbehalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the

calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Issuer expects that the Bonds will be designated, or deemed designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE UNDERTAKING

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain enumerated events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's EMMA System, which may be accessed at www.emma.msrb.org.

Annual Reports

The District will provide annually its audited financial statements as provided below and certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in the tables in this Official Statement under the sections entitled "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," "THE DISTRICT-Enrollment," and "FINANCES OF THE EDUCATIONAL PROGRAM - State Equalization Guarantee,

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances" and "Appendix B." The District will update and provide this information by March 31 of each year beginning in 2021.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and it is completed by March 31st of each year. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with accounting principles as in the District's annual financial statements attached hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds: (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes: (12) bankruptcy, insolvency, receivership or similar event of the District within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District within the meaning of the Rule or the sale of all or substantially all of the assets of the District within the meaning of the Rule. other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District. any of which reflect financial difficulties.

For these purposes, the District intends the words used in clauses (15) and (16) in the preceding paragraph, including the term "financial obligation," to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described under "Annual Reports" and "Event Notices" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain enumerated events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information

or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law or a change in the identity, nature, status or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The District's fiscal year 2016 audit was released by the New Mexico State Auditor on February 28, 2017 and was therefore, available by the filing due date of March 31, 2017. However, the fiscal year 2015 audit was inadvertently posted instead of the fiscal year 2016 audit. This oversight was not discovered until July 7, 2020 and, therefore, was not disclosed in previous Official Statements. The District's fiscal year 2016 audit was subsequently filed on July 7, 2020 along with a Failure to File Notice acknowledging the oversight. In addition, certain operating data items were not filed in fiscal year 2015 to one bond issue that is no longer outstanding. Except for these instances, during the past five years, the District has complied in all material respects with its Prior Undertakings.

LITIGATION

At the time of the original delivery of the Bonds, the District will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceedings is pending or, to the knowledge of the appropriate officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the Bond Resolution, the levying or collecting of taxes to pay the principal of and interest on the Bonds except as described below or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

LEGAL MATTERS RELATING TO STATE EDUCAITON SYSTEM

Two lawsuits have been filed challenging the funding of the State's primary and secondary education system. In March 2014, individual plaintiffs in New Mexico District Court in McKinley County brought suit against the State, among others, alleging, among other things, that the State's educational funding formula violates the sufficiency of education and uniform system of public schools provision of the New Mexico Constitution and asks the court for injunctive relief ordering the State to develop a budget and funding formula that sufficiently, uniformly and equitably funds the public school system. In April 2014, individual plaintiffs in New Mexico District Court in Santa Fe County brought suit against the State, among others, alleging, among other things, that the State has failed to provide a sufficient and uniform system of education in violation of the sufficiency, uniformity, equal protection and due process provisions of the New Mexico Constitution because of an inadequate and arbitrary funding system.

The two lawsuits were consolidated in 2015. The lawsuits asked for a declaratory judgment and injunctive relief requiring the adoption of a school finance system to remedy these violations. Neither lawsuit asked for a specific award of damages. The consolidated cases were tried in 2017. On July 20, 2018 the District Court entered its Decision which concluded that the State has failed to provide educational funding sufficient to meet its obligations under Article XII, §1

of the New Mexico Constitution, the state Constitution's Equal Protection Clause and its Due Process Clause with respect to "at risk" students. The District Court entered a Declaratory Judgment as to the Constitutional violations and an Injunction directing the state to take immediate steps, prior to April 15, 2019, to provide sufficient resources to "at risk" students. In response, during the 2019 Regular Session, the Legislature increase public school funding by approximately \$400 million. The court has not indicated whether this will be sufficient to satisfy the requirements of the Judgment. The Decision is expected to continue to affect future funding for all school age students. It is premature to assess what ongoing effect these lawsuits may have on the State's school financing system, or the District.

RATINGS

Moody's Investors Service has assigned the Bonds a rating of "A2" underlying / "Aa3" Enhanced with the understanding that the Bonds will qualify under the New Mexico School District Enhancement Program. See "New Mexico School District Enhancement Program" herein. The underlying rating on the Bonds is A2. An explanation of the significance of the rating given by Moody's Investors Service may be obtained from Moody's Investors Service, 99 Church Street, New York, New York 10007. There is no assurance that the rating will not be revised downward or withdrawn entirely by the rating agency, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

On June 18, 2018, Moody's downgraded the enhancement rating from "Aa2" to "Aa3" and assigned a stable outlook.

The Moody's rating for the SEG is "Aa3" and extends only to the Bonds.

Moody's has assigned the "Aa3" rating to school district bonds upon verification of a requirement in the authorizing bond resolution that an independent, third-party paying agent will be appointed and maintained. The District has qualified the Bonds under the SEG and is expected to receive a rating of "Aa3" on the Bonds.

UNDERWRITING

Stifel, Nicolaus & Company, Incorporated, as the sole book-running managing underwriter (the "Underwriter"), has agreed, subject to certain conditions, to purchase the Bonds from the District at the prices indicated on the inside front cover of this Official Statement, less an underwriting discount of \$______, and no accrued interest. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of New Mexico. In addition, Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P. Austin, Texas, as Co-Bond Counsel, will provide unqualified opinions that the Bond are legally issued under New Mexico law and that interest income from the Bonds is exempt from Federal and State of New Mexico income taxes as described in the Form of Co-Bond Counsels' Opinions attached hereto as Appendix D.

In connection with the transactions described in this Official Statement, Co-Bond Counsel represent the District. The fee to be paid to Co-Bond Counsel is contingent upon the sale and delivery of the Bonds. Certain legal matters will be

passed upon for the Underwriter by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico. The fee to be paid to Counsel to the Underwriter is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

ADDITIONAL MATTERS

All summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the District located at the School Administration Office, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Boulevard NE, Suite 110, Albuquerque, New Mexico 87110.

A LAST WORD

Anything in this Official Statement involving matters of opinion or estimates – whether labeled as such or not – are just that. They are not representations of fact. They might not prove true. Neither this Official Statement nor any other written or oral information is to be construed as a contract with the registered owners of the Bonds.

The District has duly authorized the execution and delivery of this Official Statement.

Bayne Anderson, President, Board of Education				
Amy Delaney-Hernandez, Secretary, Board of Education	۱			

ECONOMIC & DEMOGRAPHIC INFORMATION

THE ECONOMY

Deming Public School District No. 1 is located in the central portion of Luna County in southwestern New Mexico. The District includes the City of Deming, which also serves as the County seat, and the Village of Columbus.

The economy in the District is principally agrarian, supplemented by tourism, government, and light manufacturing. Major crops include chile, pecans, cotton, lettuce, onions, melons and alfalfa. Cattle ranching is also an important part of the economic product mix.

Luna County boasts an average annual temperature of 76 degrees and a median of 60 degrees. Average annual rainfall is 8.91 inches with a large portion of that rainfall occurring in the summer monsoon months of July, August and September. Because of the low rainfall and mild temperatures, Luna County is a favorite place for many retirees to spend the winter months and some eventually become permanent residents.

Area tourist attractions include the City of Rocks State Park, Rock Hound State Park, the Gila Wilderness, the Gila Cliff Dwellings National Monument, and the Chino open pit copper mine, to name a few. These attractions are supplemented by such scheduled events as the Rock-Hound Roundup in early March, the Great American Duck Race in August and the Southwest New Mexico State Fair in October of each year.

Luna Energy Facility, formerly known as Duke Energy Center, is a low emission, natural gas-fired combined cycle electric generating plant. The plant can produce enough power to service over half a million homes. NAES Corporation operates the Deming plant for the plant owners. The plant has three equal owners; Freeport McMoran Copper and Gold, Tucson Electric Power and Public Service Company of New Mexico (PNM). Luna Energy operates the Lordsburg, New Mexico plant as well. The plant has the capability to stop and start the Lordsburg plant from the Deming location.

Luna County Crops and Livestock Cash Receipts

Year	Livestock	Crops	Total Agriculture
2018	\$51,142	\$69,629	\$120,771
2017	47,332	67,725	115,057
2016	21,740	77,742	99,482
2015	25,051	89,823	114,874
2014	28,744	66,884	95,628
2013	25,684	59,973	85,657
2012	42,131	76,162	118,293
2011	43,968	65,448	109,416
2010	31,661	63,868	95,529
2009	23,095	48,512	71,607

Source: USDA's National Agricultural Statistics Service New

Mexico Field Office. Annual Statistical Bulletin Note: Figures above are depicted in thousands

Population

Based on information gained from the Bureau of Business & Economic Research, the following table shows the historical and projected population data for the City of Deming, Luna County and the State.

US Census Year	City of Deming	Luna County	State of New Mexico
1970	8,343	11,706	1,017,055
1980	9,964	15,585	1,303,143
1990	11,672	18,110	1,515,069
2000	14,116	25,016	1,819,046
2010	14,855	25,095	2,059,179
2019*	13,880	23,709	2,096,829
2020 ⁽¹⁾	13,687	23,724	2,097,688
2025 ⁽¹⁾	13,313	23,291	2,116,027
Projected Growth 2020-2025 ⁽²⁾	-2.73%	-1.83%	0.87%

*Estimates. Source: U.S. Census Bureau: State and County QuickFacts.

Estimates. Source: Environics Analytics, April 2020.
 Projected. Source: Environics Analytics, April 2020.

Age Distribution

The following table sets forth the 2020 estimate of comparative age distribution profile for the City of Deming, Luna County, the State and the United States.

Age Group	City of Deming	Luna County	State of New Mexico	United States
0 - 17	27.27%	26.60%	23.06%	22.34%
18 - 24	8.24%	9.30%	9.58%	9.46%
25 - 34	12.84%	12.08%	13.23%	13.51%
35 - 44	10.01%	9.69%	12.12%	12.66%
45 - 54	9.99%	9.91%	11.32%	12.53%
55 and Older	31.65%	32.42%	30.69%	29.50%

Source: Environics Analytics, April 2020.

Effective Buying Income

Effective Buying	City of	Luna	State of	United
Income Group	Deming	County	New Mexico	States
Under \$25,000	43.59%	42.77%	25.91%	18.56%
\$25,000 - 34,999	14.29%	14.92%	10.84%	8.50%
\$35,000 - 49,999	10.78%	11.96%	13.77%	12.23%
\$50,000 - \$74,999	15.86%	16.05%	17.17%	16.73%
\$75,000 & Over	15.48%	14.30%	32.31%	43.98%
2016 Est. Median Household Income	\$30,841	\$31,337	\$45,445	\$55,551
2017 Est. Median Household Income	\$30,209	\$30,657	\$47,043	\$57,462
2018 Est. Median Household Income	\$29,824	\$29,762	\$48,044	\$60,133
2019 Est. Median Household Income	\$31,154	\$30,436	\$49,655	\$62,279
2020 Est. Median Household Income	\$29,139	\$29,533	\$49,384	\$65,228

Source: Environics Analytics, April 2020.

Employment

The following table provides a ten-year history of labor force and unemployment rates for the County, the State and the United States.

40	Luna	Luna County		State of New Mexico	
Year ⁽¹⁾		%		%	%
	Labor Force	Unemployed	Labor Force	Unemployed	Unemployed
2020 ²⁾	10,066	17.60%	912,946	11.40%	14.40%
2019	10,309	12.20%	954,596	4.90%	3.70%
2018	9,997	14.00%	934,178	5.80%	4.40%
2017	12,323	10.10%	929,567	6.20%	4.40%
2016	12,315	12.10%	927,355	6.70%	4.90%
2015	12,332	17.50%	919,889	6.60%	5.30%
2014	12,436	20.50%	918,206	6.50%	6.20%
2013	10,844	20.50%	922,960	6.90%	7.40%
2012	10,931	20.20%	928,050	7.10%	8.10%
2011	10,878	19.20%	929,862	7.60%	8.90%

⁽¹⁾ Numbers are annual averages.

Source: U.S. Bureau of Labor Statistics, June 2020.

⁽²⁾ Data for the month of April 2020. Numbers are Preliminary.

Major Employers

Following is a list of major employers in Luna County.

Major Employers - Luna County	
Deming City Administration	250-499
Walmart	250-499
Addus Health Care	250-499
New Mexico Wineries	100-249
Carzalia Valley Produce	100-249
Pepper's Supermaket	100-249
Deming High School	100-249

Source: Deming Chamber of Commerce, June 2020

Total Reported Gross Receipts

Calendar	City of	Deming	Luna County		
Year	Retail	Total	Retail	Total	
2019	\$83,012,920	\$271,382,250	\$115,979,649	\$478,047,952	
2018	80,246,752	295,530,480	110,934,811	474,390,396	
2017	76,602,348	233,524,218	100,222,334	374,666,646	
2016	80,432,924	224,252,183	106,493,131	366,898,600	
2015	93,771,583	271,451,753	119,223,074	408,633,114	

Source: New Mexico Department of Taxation & Revenue

Covered Wage and Salary Employment

New Mexico Workforce Solutions publishes quarterly reports of covered employment and wages classified according to the North American Industry Classification System (NAICS).

	2015	2016	2017	2018	2019 ⁽¹⁾
Grand Total	7,595	7,909	7,331	7,597	8,039
Total Private	5,488	5,841	5,341	5,625	6,018
Accommodation and Food Services	752	786	750	748	699
Administrative and Waste Services	70	67	72	75	95
Agriculture, Forestry, Fishing & Hunting	593	799	590	811	843
Arts, Entertainment, and Recreation	45	55	51	53	70
Construction	240	272	254	295	321
Educational Services	*	*	*	*	*
Finance and Insurance	120	119	111	111	106
Health Care and Social Assistance	994	1,024	1,167	1,158	1,212
Information	*	*	*	*	*
Management of Companies and Enterprises	*	*	*	*	*
Manufacturing	929	984	857	876	1,132
Mining	16	21	13	6	*
Other Services, Ex. Public Admin	79	96	88	87	99
Professional and Technical Services	114	114	82	76	79
Real Estate and Rental and Leasing	56	53	56	50	44
Retail Trade	1,122	1,095	898	915	954
Transportation and Warehousing	169	153	165	157	169
Utilities	57	61	69	64	52
Wholesale Trade	90	99	69	101	78
Total Government	2,107	2,068	1,990	1,972	2,021

⁽¹⁾ Data as of Fourth Quarter of 2019. Therefore, the individual industries may not sum to the totals.

Note: Figures shown here are annual averages of quarterly data.

Source: New Mexico Department of Workforce Solutions, Quarterly Census of Employment and Wages program.

APPENDIX B

JUNE 30, 2019 AUDITED FINANCIAL STATEMENTS

State of New Mexico

Deming Public Schools

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2019



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Deming Public Schools Official Roster June 30, 2019

<u>Name</u> <u>Title</u>

Board of Education

W. Bayne Anderson President

Matt Robinson Vice President

Sophia Cruz Secretary

Patricia "Tris" McSherry Member

William "Billy" Ruiz Member

School Officials

Dr. Arsenio Romero Superintendent

Lesley Doyle Chief Finance Officer

Joe Adcock Controller

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Financial Section



INDEPENDENT AUDITORS' REPORT

Brian S. Colón
New Mexico State Auditor and
Board of Education
Office of Management and Budget
Deming Public Schools
Deming, New Mexico

Carr, Riggs & Ingram, LLC 2424 Louisiana Boulevard NE Suite 300 Albuquerque, NM 87110

(505) 883-2727 (505) 884-6719 (fax) CRIcpa.com

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 funds of Deming Public Schools (the "District"), as of and for the year ended June 30, 2019, 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, the aggregate remaining fund, and the budgetary comparisons for the General Fund and major special revenue funds information of Deming Public Schools, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 14 through 20 and the GASB required pension and OPEB schedules, and the notes to the required supplementary information on pages 122 through 130 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules required by 2.2.2 NMAC as listed in the table of contents required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules required by 2.2.2 NMAC as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, LLC Albuquerque, New Mexico

Can, Rigge & Ingram, L.L.C.

November 15, 2019

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Introduction

The discussion and analysis of Deming Public School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. 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 2019 are as follows:

- + The net position of the governmental activities decreased for the fiscal year ended June 30, 2019, by \$13.1 million or 80.52%. This change is due primarily to a decrease in deferred outflows of resources and an increase in the net pension liability, both related to post-employment benefits.
- + Total liabilities of governmental fund activities increased by \$3.9 million or 2.2% from the previous fiscal year.
- + The School District had \$77 million in expenses related to governmental activities; \$22 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 \$41.4 are adequate to cover program specific expenses. The amount of expense over revenue of \$13 million is primarily due to an increase of \$2.66 million in deferred inflows of resources, an increase of \$5.56 in the net pension liability, both related to post-employment benefits and depreciation expense of \$4.3 million.

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 2019?" 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.

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:

2019	2018	Variance
\$ 24,560,571	\$ 25,413,701	\$ (853,130)
136,536,668	133,870,741	2,665,927
161,097,239	159,284,442	1,812,797
29,480,047	37,888,124	(8,408,077)
29,480,047	37,888,124	(8,408,077)
\$ 190,577,286	\$ 197,172,566	\$ (6,595,280)
		_
. , ,	, , ,	\$ 535,138
•		5,552,848
53,035,994	55,232,918	(2,196,924)
175,689,823	171,798,761	3,891,062
11,707,046	9,050,342	2,656,704
112,208,902	110,946,952	1,261,950
17,498,694	20,014,412	(2,515,718)
(126,527,179)	(114,637,901)	(11,889,278)
3,180,417	16,323,463	(13,143,046)
\$ 190,577,286	\$ 197,172,566	\$ (6,595,280)
	\$ 24,560,571 136,536,668 161,097,239 29,480,047 29,480,047 \$ 190,577,286 \$ 5,877,391 116,776,438 53,035,994 175,689,823 11,707,046 112,208,902 17,498,694 (126,527,179) 3,180,417	\$ 24,560,571 \$ 25,413,701 136,536,668

The statement of activities is presented in compressed form below:

	2019	2018	Variance
Program revenues:			_
Charges for services	\$ 346,948	\$ 415,117	\$ (68,169)
Operating grants and contributions	15,268,754	14,004,068	1,264,686
Capital grants and contributions	6,759,699	23,486,188	(16,726,489)
General revenues:			
Property taxes	4,886,478	4,966,975	(80,497)
State equalization guarantee	39,978,633	38,565,078	1,413,555
Interest and investment earnings	102,143	134,380	(32,237)
Miscellaneous revenue (expense)	266,871	306,218	(39,347)
Gain (loss) on disposal of capital asset	(3,800,203)	7,256	(3,807,459)
			_
Total revenues	63,809,323	81,885,280	(18,075,957)
Program expenses:			
Instruction	41,824,183	38,927,301	2,896,882
Support services	14,548,599	14,246,223	302,376
Central services	2,365,725	1,888,238	477,487
Operation and maintenance of plant	9,271,935	10,315,016	(1,043,081)
Student transportation	2,899,574	2,551,244	348,330
Food services	5,459,277	4,759,403	699,874
Community service operations	940	-	940
Interest on long-term debt	582,136	505,951	76,185
			_
Total expenses	76,952,369	73,193,376	3,758,993
Increase (decrease) in net position	\$ (13,143,046)	\$ 8,691,904	\$ (21,834,950)
Net position - beginning	16,323,463		
Net position - ending	\$ 3,180,417		

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 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 on pages 24-25), 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 one (71%) 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 \$63.8 million and expenditures and other financing uses of \$76.9 million. The net change in fund balance for the year was a decrease of \$13.1 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 2019 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 \$46.3 million. Actual expenditures were \$42 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 \$43.1 million with revenues from state sources constituting 93.7% of this total. Actual revenues exceeded actual expenditures by \$1 million.

Significant Variations Between Original And Final Budgets

Significant Variations Between Original and Final Budgets

	Original	Final	Change	% Change
Revenue	\$ 42,438,046	\$ 42,858,142	\$ 420,096	1.0%
Expenditures	\$ 46,009,696	\$ 46,304,261	\$ 294,565	0.6%

The variations between the original and final budgets were not significant during fiscal year 2019. Budgeted revenue increased \$420,096 or 1% from the original to final budget. The expenditure budget increased or 0.6%. The District is required by state law to have a balanced budget.

Significant Changes in Net Position

There is a significant decrease in the Unrestricted Net Position for the Governmental Funds. The decrease of \$11.8 million is predominantly attributable to the changes of the Net Pension liability assumptions. Additionally, the decrease in the Capital Projects Net Position of \$1 million is due to the capitalization of capital projects during the year.

No other funds experienced significant changes in fund balance.

Capital Assets and Debt Administration

Capital Assets

During the 2019 fiscal year, the District had a net increase of \$2.6 million. The total additions consisted primarily of the continued construction of Deming High School netted with the disposal of the Old High School and Deming Intermediate School. The District had a net increase of \$749 thousand in equipment and furniture, mainly software and vehicles. At the end of fiscal 2019, the District had \$178.2 million invested in depreciable assets with accumulated depreciation of \$45.1 million, \$2.4 million in land and \$105 thousand in Construction in Progress.

Debt

At June 30, 2019, the District had outstanding bonds payable of \$26.37 million.

The District is bonded to 73.44% of the legal limit of \$35.8 million. In February 2018, the voters approved the issuance of \$10 million in bonds. The bonds are to be sold in equal amounts of \$2.5 million over a four-year period.

Factors Impacting Future Periods

The district will also begin renovations on two elementary schools and the sports stadium over the next two years.

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 2019. The District will maintain close oversight of resources to ensure our ability to react to any unknown internal and external issues.

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
Chief Finance Officer
Deming Public Schools
1001 S Diamond Ave.
Deming, NM 88030

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Basic Financial Statements

Deming Public Schools Statement of Net Position June 30, 2019

	Primary		
	Government	Со	mponent Unit
			Cesar Chavez
	Governmental		Charter High
	Activities		School
Assets			_
Current assets			
Cash and cash equivalents	\$ 7,262,512	\$	492,045
Investments	23		-
Receivables:			
Property taxes	977,657		-
Due from other governments	4,538,780		75,393
Inventory	45,646		-
Total current assets	12,824,618		567,438
Noncurrent assets			
Restricted assets:			
Cash and cash equivalents	8,772,553		-
Investments	2,963,400		-
Capital assets, net			
Non-depreciable capital assets	2,526,215		-
Depreciable capital assets	134,010,453		450,218
Total noncurrent assets	148,272,621		450,218
Total assets	161,097,239		1,017,656
Deferred outflows of resources			
Changes in proportion	371,710		211,825
Changes of assumption	24,067,072		807,276
Differences between expected and actual experience	85,227		2,859
Net difference between projected and actual			
investments earnings on pension plan			
investments	258,513		8,671
Employer contributions subsequent to the			
measurement date	4,697,525		159,800
Total deferred outflows of resources	29,480,047		1,190,431
Total assets and deferred outflows of resources	\$ 190,577,286	\$	2,208,087

Liabilities Charter High Activities Charter High School Liabilities Current liabilities \$ 598,192 \$ 3,242 Accounts payable \$ 598,192 \$ 3,242 Accrued payroll 2,076,531 25,080 Accrued interest 339,177 - Accrued compensated absences 223,491 - Unspent grant funds - 36,208 Current portion of bonds payable 2,640,000 - Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 - Accrued compensated absences 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902		Primary		
Liabilities Courrent liabilities Accounts payable \$ 598,192 \$ 3,242 Accound payroll 2,076,531 25,080 Accrued interest 339,177 - Accrued compensated absences 223,491 - Unspent grant funds - 36,208 Current portion of bonds payable 2,640,000 - Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 - Accrued compensated absences 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected		-	Co	omponent Unit
Liabilities Current liabilities Accounts payable \$ 598,192 \$ 3,242 Accrued payroll 2,076,531 25,080 Accrued interest 339,177 - Accrued compensated absences 223,491 - Unspent grant funds - 36,208 Current portion of bonds payable 2,640,000 - Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 - Accrued compensated absences 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 <td< th=""><th></th><th></th><th></th><th>Cesar Chavez</th></td<>				Cesar Chavez
Liabilities Current liabilities \$ 598,192 \$ 3,242 Accounts payable \$ 598,192 \$ 3,242 Accrued payroll 2,076,531 25,080 Accrued interest 339,177 Accrued compensated absences 223,491 Unspent grant funds - 36,208 Current portion of bonds payable 2,640,000 Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 Accrued compensated absences 436,648 Bonds payable 23,730,000 Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources - Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491		Governmental		Charter High
Current liabilities Accounts payable \$ 598,192 \$ 3,242 Accrued payroll 2,076,531 25,080 Accrued interest 339,177 - Accrued compensated absences 223,491 - Unspent grant funds - 36,208 Current portion of bonds payable 2,640,000 - Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491		Activities		School
Accounts payable \$ 598,192 \$ 3,242 Accrued payroll 2,076,531 25,080 Accrued interest 339,177 - Accrued compensated absences 223,491 - Unspent grant funds - 36,208 Current portion of bonds payable 2,640,000 - Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 - Accrued compensated absences 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources 2,263,308 113,176 Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Liabilities			
Accrued payroll 2,076,531 25,080 Accrued interest 339,177 - Accrued compensated absences 223,491 - Unspent grant funds - 36,208 Current portion of bonds payable 2,640,000 - Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources 2,263,308 113,176 Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Current liabilities			
Accrued interest 339,177 - Accrued compensated absences 223,491 - Unspent grant funds - 36,208 Current portion of bonds payable 2,640,000 - Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 - Accrued compensated absences 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources 2,263,308 113,176 Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Accounts payable	\$ 598,192	\$	3,242
Accrued compensated absences Unspent grant funds Current portion of bonds payable Total current liabilities Accrued compensated absences Accrued compensated absences Accrued compensated absences Bonds payable Sonds payable Portion of liability Sond premium, net of accumulated amortization of \$435,212 Total noncurrent liabilities Total noncurrent liabilities Total noncurrent liabilities Deferred inflows of resources Changes in proportion Changes of assumption Differences between expected and actual experience 223,491 - 36,208 - 36,208 - 436,648 - 38,773,000 - 39,773,	Accrued payroll	2,076,531		25,080
Unspent grant funds - 36,208 Current portion of bonds payable 2,640,000 - Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 - Accrued compensated absences 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Accrued interest	339,177		-
Current portion of bonds payable 2,640,000 - Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 - Accrued compensated absences 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Accrued compensated absences	223,491		-
Total current liabilities 5,877,391 64,530 Noncurrent liabilities 436,648 - Accrued compensated absences 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Unspent grant funds	-		36,208
Noncurrent liabilities Accrued compensated absences Bonds payable Compension liability Active of PEB liability Solution of \$435,212 Total noncurrent liabilities Changes in proportion Changes of assumption Differences between expected and actual experience 436,648 -436,648 -53,730,000 -63,730,000 -74,848 -75,6488 -75,6488 -75,754,8181 -75,6488 -75,754,8181 -75,6488 -75,754,8181 -75,6488 -75,754,8181 -75,6488 -75,754,8181 -75,6488 -75,754,8181 -75,6488 -75,754,8181 -75,6488 -75,754,8181 -75,6488 -75,754,8181 -75,689,823 -75,154 -75,6488 -75,754,8181 -75,689,823 -75,689,823 -75,154 -75,154	Current portion of bonds payable	2,640,000		
Accrued compensated absences 436,648 - Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources 2,263,308 113,176 Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Total current liabilities	5,877,391		64,530
Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources 2,263,308 113,176 Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Noncurrent liabilities			
Bonds payable 23,730,000 - Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 - Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources 2,263,308 113,176 Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Accrued compensated absences	436,648		-
Net pension liability 116,776,438 3,917,004 Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	•	•		-
Net OPEB liability 27,948,181 944,898 Bond premium, net of accumulated amortization of \$435,212 921,165 Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	·	, ,		3,917,004
Bond premium, net of accumulated amortization of \$435,212 921,165 Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	•			
Total noncurrent liabilities 169,812,432 4,861,902 Total liabilities 175,689,823 4,926,432 Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	,			, -
Deferred inflows of resources Changes in proportion 2,263,308 113,176 Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491				4,861,902
Changes in proportion2,263,308113,176Changes of assumption5,217,801176,408Differences between expected and actual experience3,877,154130,491	Total liabilities	175,689,823		4,926,432
Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Deferred inflows of resources			
Changes of assumption 5,217,801 176,408 Differences between expected and actual experience 3,877,154 130,491	Changes in proportion	2,263,308		113,176
•				
Net difference between projected and actual	Differences between expected and actual experience	3,877,154		130,491
	Net difference between projected and actual			
investments earnings on pension plan investments 348,783 11,792	investments earnings on pension plan investments	348,783		11,792
Total deferred inflows of resources 11,707,046 431,867	Total deferred inflows of resources	11,707,046		431,867
Net position	Net position			
Net investment in capital assets 112,208,902 450,218	•	112,208,902		450,218
Restricted for:	Restricted for:			
Debt service 4,029,380 -	Debt service	4,029,380		-
Capital projects 8,418,499 (20,208	Capital projects	8,418,499		(20,208)
Special revenue 5,050,815 11,394		5,050,815		11,394
Unrestricted (126,527,179) (3,591,616	Unrestricted	(126,527,179)		(3,591,616)
Total net position 3,180,417 (3,150,212	Total net position	3,180,417		(3,150,212)
Total liabilities, deferred inflows of resources, and	Total liabilities, deferred inflows of resources, and			
net position \$ 190,577,286 \$ 2,208,087		\$ 190,577,286	\$	2,208,087

Deming Public Schools Statement of Activities For the Year Ended June 30, 2019

Program Revenu	ues
----------------	-----

				Grain Revenues
Functions/Programs		Expenses		Charges for Services
Primary government:				
Governmental activities:				
Instruction	\$	41,824,183	\$	208,654
Support services - students		6,189,045		30,877
Support services - instruction		2,134,615		10,650
Support services - general administration		1,786,356		8,912
Support services - school administration		4,438,583		22,144
Central services		2,365,725		11,803
Operation and maintenance of plant		9,271,935		46,258
Student transportation		2,899,574		-
Food services operations		5,459,277		7,645
Community services operations		940		5
Interest and other charges		582,136		
Total governmental activities	\$	76,952,369	Ś	346,948
. otal Borellinicital activities	<u> </u>	. 0,002,000	<u> </u>	3 10,3 10
Component Unit:				
Cesar Chavez Charter High School	\$	2,654,379	\$	

Net (Expense) Revenue and Changes in Net Position

	Program	Revenue	es		Net Po	•
Opera	ating Grants and	C	apital Grants and		Government	
	Contributions		Contributions		Activities	Component Unit
\$	7,966,441	\$	4,156,992	\$	(29,492,096)	\$ -
	1,178,855		615,142		(4,364,171)	-
	406,590		212,164		(1,505,211)	-
	340,255		177,550		(1,259,639)	-
	845,437		441,160		(3,129,842)	-
	450,610		235,134		(1,668,178)	-
	1,766,068		921,557		(6,538,052)	-
	2,000,978		-		(898,596)	-
	313,520		-		(5,138,112)	-
	-		-		(935)	-
					(582,136)	
\$	15,268,754	\$	6,759,699		(54,576,968)	
\$	109,437	\$	43,082			(2,501,860)
<u> </u>	103,437		+3,002	=		 (2,301,000)
	al revenues					
Taxe						
	pperty taxes, levied	-			291,914	-
	pperty taxes, levied				3,425,492	-
	pperty taxes, levied		itai projects		1,169,072	1 620 200
	e equalization guara	antee			39,978,633	1,638,389
	stment income				102,143	59,269
	ellaneous income				266,871	-
LOSS	on disposition of a	ssets			(3,800,203)	- _
Total g	general revenues				41,433,922	1,697,658
Change	e in net position				(13,143,046)	(804,202)
Net po	sition - beginning				16,323,463	(2,346,010)
Net po	sition - ending			\$	3,180,417	\$ (3,150,212)

Deming Public Schools Balance Sheet Governmental Funds June 30, 2019

				Special	Rev	enue
		General Fund		Food Services		
		11000, 13000, 14000		Fund 21000		Title I - IASA 24101
Assets		14000		21000		24101
Cash and cash equivalents	\$	2,408,164	\$	3,820,338	\$	-
Investments	,	23	,	-	,	_
Receivables:						
Property taxes		58,755		-		-
Due from other governments		82,598		417,160		1,752,460
Inventory		-		45,646		-
Due from other funds		3,713,471		-		-
Total assets	\$	6,263,011	\$	4,283,144	\$	1,752,460
Liabilities, deferred inflows of resources, and fund	l balan	ces				
Liabilities						
Accounts payable	\$	671,045	\$	118,862	\$	4,688
Accrued payroll		1,204,812		69,381		128,515
Due to other funds		-		-		1,619,257
Total liabilities		1,875,857		188,243		1,752,460
Deferred inflows of resources						
Unavailable revenue - property taxes		48,732		-		=
Total deferred inflows of resources		48,732		-		-
Fund balances						
Nonspendable:						
Inventory		-		45,646		-
Spendable						
Restricted for:						
Food services		-		4,049,255		-
Extracurricular activities		-		-		-
Education		-		-		-
Capital acquisitions and improvements		-		-		-
Debt service		-		-		-
Committed for:						
Subsequent year's expenditures		3,334,446		-		-
Unassigned		1,003,976		-		-
Total fund balances		4,338,422		4,094,901		-
Total liabilities, deferred inflows of						
resources, and fund balances	\$	6,263,011	\$	4,283,144	\$	1,752,460

	Capital In	nprovements					
		SB-9 Capital Projects			Nonmajor		
	Bond Building	Fund - Local		Debt Service	Governmental		
	31100	31701		41000	Funds		Total
\$	453,896	\$ 5,022,194	\$	3,150,433	\$ 1,180,040	\$	16,035,065
	2,963,400	-		-	-		2,963,423
	_	235,808		683,094	-		977,657
	-	-		-	2,286,562		4,538,780
	-	-		-	-		45,646
	-	-			_		3,713,471
\$	3,417,296	\$ 5,258,002	\$	3,833,527	\$ 3,466,602	\$	28,274,042
\$	131,090	\$ 105,108	\$	-	59,245	\$	1,090,038
·	, -	-	·	_	181,977	·	1,584,685
	-	-		-	2,094,214		3,713,471
	131,090	105,108		-	2,335,436		6,388,194
	-	195,620		566,868	-		811,220
	-	195,620		566,868	-		811,220
	-	-		-	-		45,646
	-	-		-	-		4,049,255
	=	-		-	192,749		192,749
	=	-		-	763,191		763,191
	3,286,206	4,957,274		-	-		8,243,480
	-	-		3,266,659	195,853		3,462,512
	-	-		-	-		3,334,446
	-	-		-	(20,627)		983,349
	3,286,206	4,957,274		3,266,659	1,131,166		21,074,628
\$	3,417,296	\$ 5,258,002	\$	3,833,527	\$ 3,466,602	\$	28,274,042

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Deming Public Schools Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

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

Fund balances - total governmental funds	\$	21,074,628
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds		136,536,668
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		811,220
Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in funds:		
Deferred outflows related to changes in proportion		371,710
Deferred outflows related to changes of assumption		24,067,072
Deferred outflows related to differences between expected and actual		
experience		85,227
Deferred outflows related to employer contribution subsequent to		
measurement date		4,697,525
Deferred inflows related to net difference between projected and actual		
investment earnings on pension plan investments		(90,270)
Deferred inflows related to changes in proportion		(2,263,308)
Deferred inflows related to changes of assumption		(5,217,801)
Deferred inflows related to differences between expected and actual		
experience		(3,877,154)
Liabilities, including bonds payable, and net pension liability are not due and paya the current period and, therefore, are not reported in the funds:	able in	
Accrued compensated absences not due and payable		(660,139)
Accrued interest payable		(339,177)
Bonds payable		(26,370,000)
Bond premium, net of accumulated amortization		(921,165)
Net pension liability		(116,776,438)
OPEB liability		(27,948,181)
Total net position - governmental funds	\$	3,180,417

Deming Public Schools Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2019

				Special F	Reve	enue
		General Fund		Food Services		
		11000, 13000,		Fund		Title I - IASA
		14000		21000		24101
Revenues						
Property taxes	\$	295,829	\$	-	\$	-
Intergovernmental revenue:						
Federal flowthrough		288,480		3,928,260		3,164,871
Federal direct		-		=		=
Local sources		170,085		=		-
State flowthrough		233,902		-		-
State direct		39,978,633		-		-
Transportation distribution		2,000,978		-		-
Charges for services		145,656		7,645		-
Investment income		1,522		9,317		=
Miscellaneous		328		=		=
Total revenues		43,115,413		3,945,222		3,164,871
Expenditures						
Current:						
Instruction		23,464,803		-		2,425,377
Support services - students		3,823,383		-		268,378
Support services - instruction		1,315,369		=		279,418
Support services - general administration		1,133,383		117,845		97,115
Support services - school administration		2,785,351		· -		32,036
Central services		1,462,815		-		60,528
Operation and maintenance of plant		5,801,644		-		2,019
Student transportation		2,291,362		-		-
Food services operations		-		4,650,631		-
Community services operations		-		-		-
Capital outlay		5,371		557,012		-
Debt service:						
Principal		-		-		-
Interest		-		-		-
Total expenditures		42,083,481		5,325,488		3,164,871
Excess (deficiency) of revenues over expenditures		1,031,932		(1,380,266)		-
Other financing sources						
Proceeds from sale of capital assets		73,953		-		_
Bond proceeds		, - -		-		-
Total other financing sources		73,953		-		-
Net change in fund balances		1,105,885		(1,380,266)		_
Fund balances - beginning of year		3,232,537		5,475,167		-
Fund balances - end of year	\$		\$		\$	-
	т_	.,	τ'	.,,	т	

	Capital In	nprovemer	nts	_					
		SB-9 Cap	ital Projects				Nonmajor		
	Bond Building		Fund - Local		Debt Service		Governmental		
	31100		31701		41000		Funds		 Total
۲		ć	1 105 006	Ļ	2 416 494	۲	4.462	۲	4 001 702
\$	-	\$	1,185,006	\$	3,416,484	\$	4,463	\$	4,901,782
	-		-		-		2,570,731		9,952,342
	-		-		-		368,115		368,115
	6,817		-		-		49,548		226,450
	5,960,098		-		-		3,267,212		9,461,212
	-		-		-		19,356		39,997,989
	-		=		=		-		2,000,978
	-		=		=		193,647		346,948
	78,495		8,974		2,436		1,399		102,143
	-		-		-		266,543		266,871
	6,045,410		1,193,980		3,418,920		6,741,014		67,624,830
	-		-		-		4,729,182		30,619,362
	-		=		-		851,490		4,943,251
	-		-		-		40,663		1,635,450
	-		11,858		35,386		152,954		1,548,541
	-		-		-		339,181		3,156,568
	-		=		-		183,536		1,706,879
	(376,173)		233,119		-		309,764		5,970,373
	-		-		-		93,688		2,385,050
	-		-		-		-		4,650,631
	-		-		-		940		940
	10,673,300		143,793		-		349,041		11,728,517
	-		-		2,575,000		-		2,575,000
	-		-		758,451		-		758,451
	10,297,127		388,770		3,368,837		7,050,439		71,679,013
	(4,251,717)		805,210		50,083		(309,425)		 (4,054,183)
	-		-		-		-		73,953
	2,572,819		<u> </u>						 2,572,819
	2,572,819		=		-		-		2,646,772
	(1,678,898)		805,210		50,083		(309,425)		 (1,407,411)
	4,965,104		4,152,064		3,216,576		1,440,591		 22,482,039
\$	3,286,206	\$	4,957,274	\$	3,266,659	\$	1,131,166	\$	21,074,628

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Deming Public Schools

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	\$	(1,407,411)
--	----	-------------

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	11,728,517
Depreciation expense	(5,188,434)
Book value of capital assets disposed	(3,840,485)
Book value of land sold during the year	(33,671)

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 rela	d to property taxes receivable	(15,304)
------------------------------------	--------------------------------	----------

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	4,107,888
District OPEB contribution	589,637
Pension expense	(19,420,203)
OPEB expense	243.098

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	(85,174)
Increase in accrued interest payable	(17,606)
Amortization of original issue premium	193,921
Original issuance premium of bonds issued	(22,819)
Bond proceeds	(2,550,000)
Principal payments on bonds	2,575,000

Change in net position of governmental activities \$ (13,143,04

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, 2019

Variances

							variances
							Favorable
				ted Amounts		_	Jnfavorable)
Parameter		Original		Final	Actual	Fii	nal to Actual
Revenues		202 502		202 502	205.045		2.542
Property taxes	\$	292,503	\$	292,503	\$ 296,016	\$	3,513
Intergovernmental revenue:							
Federal flowthrough		236,149		236,149	289,909		53,760
Local sources		6,135		6,135	88,124		81,989
State flowthrough		234,468		245,624	233,902		(11,722)
State direct		39,688,077		39,991,468	39,978,633		(12,835)
Transportation distribution		1,957,214		2,000,978	2,000,978		-
Charges for services		8,000		69,785	145,656		75,871
Investment Income		8,000		8,000	885		(7,115)
Miscellaneous		7,500		7,500	328		(7,172)
Total revenues		42,438,046		42,858,142	43,034,431		176,289
Expenditures							
Current:							
Instruction		25,957,423		26,006,439	23,026,121		2,980,318
Support services - students		3,884,173		4,455,323	3,821,931		633,392
Support services - instruction		1,364,462		1,447,812	1,316,123		131,689
Support services - general administration		1,404,208		1,399,131	1,131,495		267,636
Support services - school administration		2,928,665		2,926,142	2,785,351		140,791
Central services		2,650,042		1,768,142	1,461,589		306,553
Operation and maintenance of plant		5,738,700		5,872,185	5,775,216		96,969
Student transportation		2,039,199		2,386,263	2,291,744		94,519
Other support services		42,824		42,824	-		42,824
Total expenditures		46,009,696		46,304,261	41,609,570		4,694,691
Excess (deficiency) of revenues over		· · · · · ·		· · · · · ·			
expenditures		(3,571,650)		(3,446,119)	1,424,861		4,870,980
		(3,371,030)		(3,440,113)	1,424,001		4,070,300
Other financing sources (uses)							
Designated cash (budgeted increase in cash)		3,569,150		3,443,619	-		(3,443,619)
Proceeds from sale of capital assets		2,500		2,500	73,953		71,453
Total other financing sources (uses)		3,571,650		3,446,119	73,953		(3,372,166)
Net change in fund balance		-		-	1,498,814		1,498,814
Fund balance - beginning of year		-		-	3,418,032		3,418,032
Fund balance - end of year	\$	-	\$	-	\$ 4,916,846	\$	4,916,846
Net change in fund balance (Non-GAAP budgeta	arv h	asis)				\$	1,498,814
Adjustments to revenues for taxes and intergov	-	•	ıe			r	80,982
Adjustments to expenditures for supplies and p							(473,911)
Net change in fund balance (GAAP Basis)	,					\$	1,105,885
THE CHAINE IN TAILS BUILDING (UMAI DUSIS)						٧	1,100,000

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, 2019

Variances

				Favorable
	Rudge	eted Amounts		Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues	<u> </u>	Tilla	rictual	Tillar to Attaur
Intergovernmental revenue:				
Federal flowthrough	\$ 3,191,794	\$ 3,191,794	\$ 3,238,508	\$ 46,714
Charges for services	14,775	14,775	7,645	(7,130)
Investment income	10,211	10,211	9,317	(894)
Total revenues	3,216,780	3,216,780	3,255,470	38,690
Expenditures				
Current:				
Central services	70,000	115,000	115,000	_
Food services operations	6,963,750	7,783,259	4,301,912	3,481,347
Capital outlay	721,758	721,758	490,838	230,920
Total expenditures	7,755,508	8,620,017	4,907,750	3,712,267
Excess (deficiency) of revenues over				
expenditures	(4,538,728)	(5,403,237)	(1,652,280)	3,750,957
·	(1,000), 101	(0):00,001	(=,===,===,	3,: 3 3,5 3
Other financing sources (uses)				
Designated cash (budgeted increase				(5,403,237)
in cash)	4,538,728	5,403,237	-	
Total other financing sources (uses)	4,538,728	5,403,237	-	(5,403,237)
Net change in fund balance	-	-	(1,652,280)	(1,652,280)
Fund balance - beginning of year	-	-	5,403,237	5,403,237
Fund balance - end of year	\$ -	\$ -	\$ 3,750,957	\$ 3,750,957
Net change in fund balance (Non-GAAP b	udgetary hasis)			\$ (1,652,280)
Adjustments to revenues for federal flow	-			689,752
Adjustments to expenditures for food ser				(417,738)
	VICC			
Net change in fund balance (GAAP Basis)				\$ (1,380,266)

Deming Public Schools Title I - IASA Special Revenue Fund (24101) Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual For the Year Ended June 30, 2019

Variances

				Favorable
	Budge	eted Amounts		(Unfavorable)
•	Original	Final	Actual	Final to Actual
Revenues				_
Intergovernmental revenue:				
Federal flowthrough	\$ 3,917,736	\$ 4,259,285	\$ 2,845,280	\$ (1,414,005)
Total revenues	3,917,736	4,259,285	2,845,280	(1,414,005)
Expenditures				
Current:				
Instruction	3,212,422	3,380,991	2,427,166	953,825
Support services - students	365,068	367,958	268,378	99,580
Support services - instruction	145,156	283,211	279,418	3,793
Support services - general administration	123,342	123,342	97,108	26,234
Support services - school administration	-	32,035	32,036	(1)
Central services	60,528	60,528	60,528	-
Operation and maintenance of plant	11,220	11,220	1,830	9,390
Total expenditures	3,917,736	4,259,285	3,166,464	1,092,821
Excess (deficiency) of revenues over				
expenditures	_	_	(321,184)	(321,184)
· ·			(321)13 .)	(022)20.17
Other financing sources (uses)				
Designated cash (budgeted increase				-
in cash)			_	
Net change in fund balance	-	-	(321,184)	(321,184)
Fund balance - beginning of year	-		(1,426,588)	(1,426,588)
Fund balance - end of year	\$ -	\$ -	\$(1,747,772)	\$ (1,747,772)
Net change in fund balance (Non-GAAP budge Adjustments to revenues for federal flowthro	\$ (321,184) 319,591			
Adjustments to expenditures for supplies and		ditures		1,593
Net change in fund balance (GAAP Basis)	•			\$ -

Deming Public Schools Statement of Fiduciary Assets and Liabilities Agency Funds June 30, 2019

Assets		
Current assets		
Cash and cash equivalents	\$	673,683
Total assets	\$	673,683
Link illainn		
Liabilities	1	
Accounts payable	\$	12,391
Due to student organizations		661,292
Total liabilities	\$	673,683

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

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 Charter High School at P.O. Box 1658 Deming, NM 88031.

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 *Title I- IASA Special Revenue Fund (24101)* 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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Additionally, the District reports the following Fiduciary funds:

The Agency Fund 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.

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)

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 2019 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2019. Period of availability is deemed to be sixty days subsequent to year end.

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

Inventory: The 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.

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)

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:

Assets	Years
Buildings and improvements	10-50
Land improvements	10-20
Furniture and equipment	5-10

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 one type of items, which arises under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, the item, unavailable revenue - property taxes, 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 District has recorded \$811,220 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 \$1,291,039, and differences between expected and actual experience of \$2,222,443, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the District has four types of items present on the Statement of Net Position which arise due to the implementation of GASB Statement No. 75 and the related post-employment benefit liability. Accordingly, the items, changes in proportion of \$972,269, changes in assumptions of \$5,217,801, net difference between projected and actual earnings of \$348,783 and differences between expected and actual experience of \$1,654,711, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has five types of items that qualify for reporting in this category due to the implementation of GASB State No. 68 and the related net pension liability. Accordingly, the items, changes in proportion of \$371,710, changes of assumptions of \$24,067,072, differences between expected and actual experience of \$85,227, net difference between projected and actual investment earnings of \$258,513 and employer contributions subsequent to measurement date of \$4,107,888, are reported on the Statement of Net Position. These amounts are deferred and recognized as outflows of resources in future periods. The District has one type of items that qualify for reporting in this category due to the implementation of GASB Statement No. 75 and the related postemployment benefit liability. Accordingly, the item employer contributions subsequent to measurement date of \$589,637, is reported on the Statement of Net Position. The amount is deferred and recognized as outflows of resources in future periods.

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

Post-employment: For purposes of measuring the post-employment liability, deferred outflows of resources and deferred inflows of resources related to post-employment, and post-employment expense, information about the fiduciary net position of the Retiree Health Care Act (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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)

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.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund lability 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.

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 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, 2019, the nonspendable fund balance in the food service was \$45,646 for inventory.

Restricted and Committed Fund Balance: At June 30, 2019, the restricted fund balance on the governmental funds balance sheet is made up of \$5,005,195 restricted for food services, extracurricular activities and education to the students of the District; \$8,243,480, 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 \$3,462,512 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, 2019, the District had unspent bond proceeds of \$2,963,399.
- 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 42-43 and 135-139.

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)
 - 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, post-employment 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.

Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$39,978,633 in state equalization guarantee distributions during the year ended June 30, 2019.

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 \$4,886,478 in tax revenues in the government-wide financial statements during the year ended June 30, 2019. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues (Continued)

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 \$2,000,978 in transportation distributions during the year ended June 30, 2019.

Instructional Materials: The Public Education Department (Department) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2019 totaled \$172,618.

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 \$313,453 in state SB-9 matching during the year ended June 30, 2019.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues (Continued)

The District received \$5,960,098 of Public School Capital Outlay matching during the year ended June 30, 2019.

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.

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

 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

- 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

The appropriated budget for the year ended June 30, 2019, 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

	0	riginal Budget		Final Budget
Budgeted funds:				
General Fund	\$	(3,571,650)	\$	(3,446,119)
Food Service Special Revenue Fund		(4,538,728)		(5,403,237)
Title I - IASA Fund		-		-
Bond Building Capital Projects Fund		(5,367,045)		(5,367,045)
Capital Improvements SB-9 Capital Projects Fund-Local		(4,174,342)		(4,111,104)
Debt Service		-		-
Other governmental funds		(602,738)		(1,230,711)

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, 2019.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the 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 of Collateral Pledged by Depository for Public Funds in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, District or political subdivision of the State of New Mexico.

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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 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, 2019, \$17,357,068 of the District's bank balances of \$18,107,068 was exposed to custodial credit risk. \$13,248,320 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the District's name, and \$4,108,748 was uninsured and uncollateralized.

	First New	Wells Fargo	First Savings	
	Mexico Bank	Bank	Bank	Total
Amount of deposits	\$ 16,212,006	\$ 399,244	\$ 1,495,818	\$ 18,107,068
FDIC coverage	(250,000)	(250,000)	(250,000)	(750,000)
Total uninsured public funds	15,962,006	149,244	1,245,818	17,357,068
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	9,684,782	89,546	3,473,992	13,248,320
Uninsured and uncollateralized	\$ 6,277,224	\$ 59,698	\$ (2,228,174)	\$ 4,108,748
Collateral requirement (50%) Pledged securities	\$ 7,981,003 9,684,782	\$ 74,622 89,546	\$ 622,909 3,473,992	\$ 8,678,534 13,248,320
Over (under) collateralized	\$ 1,703,779	\$ 14,924	\$ 2,851,083	\$ 4,569,786

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

The collateral pledged is listed on Schedule of Collateral Pledged by Depository for Public Funds of this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, District or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the State of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

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, 2019. Funds 24101 through 25200 are federal funds, 25246 through 27198 are nonfederal funds, and 31700 is a capital projects fund. The following individual funds had negative cash balances as of June 30, 2019:

	Due From	Due To
Major Funds:		
Fund 11000 General	\$ 3,713,471	\$ -
Non-major Funds:		
Fund 24101 Title I - IASA	-	1,619,257
Fund 24103 Migrant Children Education	-	83,520
Fund 24106 Entitlement IDEA-B	-	398,452
Fund 24109 IDEA-B Preschool	-	5,197
Fund 24113 Education of Homeless	-	20,683
Fund 24130 CDC Healthy School Program	-	5,967
Fund 24132 IDEA-B Results Plan	-	18,297
Fund 24153 English Language Acquisition	-	195,724
Fund 24154 Teacher/Principle Training/Recruiting	-	149,232
Fund 24160 Rural & Low-Income Schools	-	104,388
Fund 24163 Immigrant Funding Title III	-	22,167
Fund 24174 Carl D. Perkins Secondary Current	-	51,997
Fund 24176 Carl D. Perkins Redistribution	-	2,826
Fund 24188 Advancing Measurement at PED (AMP)	-	47,660
Fund 24189 Student Support and Academic Enrichment Program	-	198,178
Fund 24193 Direct Student Services	-	38,427
Fund 24201 Title I-IASA - Federal Stimulus	-	5
Fund 25200 ROTC	-	663
Fund 27107 2012 GO Bond Student Library	-	34,836
Fund 27124 Automated Text Messaging System	-	15,000
Fund 27138 Incentive for School Impr Act PED	-	60,000
Fund 27149 PreK Initiative	-	397,458
Fund 27180 Early College High School Start Up	-	176,123
Fund 31700 Capital Improvements SB-9	-	67,414
	\$ 3,713,471	\$ 3,713,471

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

The District did not have any operating transfer during the year ended June 30, 2019.

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 statement of net position	\$ 7,262,512
Restricted cash per statement of net position	8,772,553
Investments per statement of net position	23
Restricted investments statement of net position	2,963,400
Cash per statement of fiduciary assets and liabilities	673,683
Total cash, cash equivalents and investments	19,672,171
Add: outstanding checks	3,026,737
Less: deposits in transit	(1,628,367)
Less: petty cash	(50)
Less: investments held in New MexiGROW LGIP	(23)
Less: restricted investments with Moreton Capital Markets	(2,963,400)
Bank balance of deposits	\$ 18,107,068

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2019, the District had the following investments and maturities and ratings:

		Investment
Investment Type	Fair Value	Maturity
U.S. Treasury money market mutual funds	\$ 2,963,400	>365 days
New MexiGROW LGIP	23	See below
Total investments	\$ 2,963,423	

	Weighted Average		
Investment Type	Maturities (F)	Fair Value	Rating
	112 day- WAM (F) and		
New Mexi <i>GROW</i> LGIP	35 day-WAM (R)	\$ 23	AAAm **
U.S. Treasury money market mutual funds	>365 days	\$ 2,963,400	AA+ *

^{*} Based on Moody's Rating

Credit Risk

As of June 30, 2019, the Authority's investment in the State Treasurer Local Government Investment Pool was rated as AAAm by Standard & Poor's.

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.

^{**} Based on Standard & Poor's rating

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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 currently has 100% in money market mutual funds. 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.

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 \$2,963,400 in the LGIP and money market mutual funds at year end which required fair value disclosure.

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

		Fair Valu	ie Measureme	ent Inputs
	Total	Level 1	Level 2	Level 3
Investments by fair value level				
U.S. Treasury money market mutual funds	\$ 2,963,400	\$ 2,963,400	\$ -	\$ -
New MexiGROW LGIP	23	23	-	
Total investments	\$ 2,963,423	\$ 2,963,423	\$ -	\$ -

NOTE 4: ACCOUNTS RECEIVABLE

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

		21000
	11000	Food
	General Fund	Services
Property taxes receivable	\$ 58,755	\$ -
Due from other governments:		
Federal sources	82,598	417,160
Totals	\$ 141,353	\$ 417,160
		31701
		Capital
	24101	Improvements
	Title I - IASA	SB-9- Local
Property taxes receivable	\$ -	\$ 235,808
Due from other governments:		
Federal sources	1,752,460	-
Totals	\$ 1,752,460	\$ 235,808
		Other
	41000	Governmental
	Debt Service	Funds

Property taxes receivable \$ 683,094 \$ 977,657 Due from other governments: Federal sources 2,286,562 4,538,780 \$ \$ 683,094 2,286,562 \$ 5,516,437 Totals

The above receivables are deemed 100% collectible.

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$811,220 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: CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and construction in progress are not subject to depreciation.

Capital assets, net of accumulated depreciation, at June 30, 2019 appear in the Statement of Net Position as follows:

Governmental activities:		Balance				Balance
	J	lune 30, 2018	Adjustments	Additions	Deletions	June 30, 2019
Capital assets not being depreciated:						
Land	\$	2,410,779	\$ 44,000	\$ -	\$ (33,671)	\$ 2,421,108
Construction in progress		23,383,067	-	9,893,806	(33,171,766)	105,107
Total capital assets not being						
depreciated		25,793,846	44,000	9,893,806	(33,205,437)	2,526,215
Capital assets being depreciated:						
Buildings and improvements		149,565,183	91,000	32,932,125	(16,535,986)	166,052,322
Land improvements		6,527,033	-	809,646	(490,556)	6,846,123
Furniture and equipment		7,447,384	-	1,129,706	(2,380,491)	6,196,599
Total capital assets being						
depreciated		163,539,600	91,000	34,871,477	(19,407,033)	179,095,044
Less accumulated depreciation:						
Buildings and improvements		(45,898,270)	-	(4,564,814)	12,762,334	(37,700,750)
Land improvements		(3,532,682)	-	(282,960)	463,670	(3,351,972)
Furniture and equipment		(6,031,753)	-	(340,660)	2,340,544	(4,031,869)
Total accumulated depreciation		(55,462,705)	-	(5,188,434)	15,566,548	(45,084,591)
Total capital assets, net of						
depreciation	\$	133,870,741	\$ 135,000	\$ 39,576,849	\$ (68,179,018)	\$ 136,536,668

Adjustments in the current year were due to items that were present on the District's capital assets listing in the prior year with no cost.

NOTE 5: CAPITAL ASSETS (Continued)

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

Governmental activities

Instruction	\$ 1,557,657
Support services-students	232,064
Support services-instruction	21,756
Support services - general administration	87,025
Support services - school administration	145,040
Central services	157,457
Operation and maintenance of plant	305,028
Student transportation	325,105
Food service operations	186,242
Capital outlay	2,171,060
Total	\$ 5,188,434

NOTE 6: 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, 2019 are for governmental activities.

Bonds outstanding at June 30, 2019 are comprised of the following:

	Series 2014	Series 2015	Series 2016A
Original Issue:	\$ 9,500,000	\$ 9,480,000	\$ 9,780,000
Principal:	August 1	August 1	August 1
Interest:	August 1	August 1	August 1
	February 1	February 1	February 1
Interest Rates:	2.25%-2.60%	2.00%-3.50%	2.00%-4.00%
Maturity Date:	August 2028	February 2030	August 2030
	Series 2016B	Series 2018	Series 2019
Original Issue:	\$ 3,125,000	\$ 2,500,000	\$ 2,500,000
Principal:	August 1	August 1	August 1
Interest:	August 1	August 1	August 1
	February 1	February 1	February 1
Interest Rates:	5.00%	3.00% - 3.10%	3%
Maturity Date:	August 2019	August 2031	August 2032

NOTE 6: LONG-TERM DEBT (Continued)

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance			Balance	Due Within
	June 30, 2018	Additions	Retirements	June 30, 2019	One Year
General Obligation Bonds					
Series 2014	\$ 7,400,000	\$ -	\$ 200,000	\$ 7,200,000	\$ 150,000
General Obligation Bonds					
Series 2015	7,480,000	-	1,050,000	6,430,000	780,000
General Obligation Bonds					
Series 2016A	9,430,000	-	190,000	9,240,000	690,000
General Obligation Bonds					
Series 2016B	2,085,000	-	1,135,000	950,000	950,000
General Obligation Bonds					
Series 2018	-	2,500,000	-	2,500,000	70,000
General Obligation Bonds					
Series 2019	-	50,000	-	50,000	
Total bonds	26,395,000	2,550,000	2,575,000	26,370,000	2,640,000
Compensated absences	574,965	308,665	223,491	660,139	223,491
Total long-term debt	\$ 26,969,965	\$ 2,858,665	\$ 2,798,491	\$ 27,030,139	\$ 2,863,491

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2019, including interest payments, are as follows:

		Total Debt	
Fiscal Year Ending	Principal	Interest	Service
2020	\$ 2,640,000	\$ 709,186	\$ 3,349,186
2021	2,545,000	704,131	3,249,131
2022	2,225,000	559,936	2,784,936
2023	2,260,000	494,473	2,754,473
2024	2,150,000	428,448	2,578,448
2025-2029	11,500,000	1,153,490	12,653,490
2030-2032	3,050,000	91,356	3,141,356
	\$ 26,370,000	\$ 4,141,020	\$ 30,511,020

NOTE 6: LONG-TERM DEBT (Continued)

<u>Compensated Absences</u> – 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, 2019, compensated absences increased \$85,174 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.

NOTE 7: 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, 2019, there have been no claims that have exceeded insurance coverage.

NOTE 8: PENSION PLAN—EDUCATIONAL RETIREMENT BOARD

General Information about the Pension Plan

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 8: 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, 2019 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. 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 \$4,107,888 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017. At June 30, 2019, the District reported a liability of \$116,776,438 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, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2018, the District's proportion was 0.98203 percent, which was a decrease of 0.02597 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized pension expense of \$19,420,203.

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

At the June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows		Deferred Inflow	
		of Resources		of Resources
Differences between expected and actual experience	\$	85,227	\$	2,222,443
Changes in proportion		371,710		1,291,039
Net difference between projected and actual earnings				
on pension plan investments		258,513		-
Changes of assumptions		24,067,072		-
District's contributions subsequent to the measurement date		4,107,888		
Total	\$	28,890,410	\$	3,513,482

\$4,107,888 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2019, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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	end	led	June	30:

2019	\$ 13,440,527
2020	8,222,784
2021	(397,673)
2022	3,402
2023	-
Thereafter	-

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

Actuarial assumptions. The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2017. The total pension liability was rolled forward from the valuation date to the Plan's year ending June 30, 2018 using generally accepted actuarial principles. The liabilities reflect the impact of Senate Bill 115, signed into law March 29, 2013 and new assumptions adopted by the Board of Trustees on April 21, 2017. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

- 1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2016 and thereafter.
- 2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
- 3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
- 4. These assumptions were adopted by the Board on 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.

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

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

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll

Remaining Period Amortized – closed 30 years from June 30, 2012 to June 30,

2042

Asset Valuation Method 5 year smoothed market

Inflation 2.5%

Salary Increase Composed of 2.50% inflation, plus 0.75% productivity

increase rate, plus step rate promotional increases for

members with less than 10 years of service

Investment Rate of Return 7.25%

Retirement Age Experience based table rates based on age and service,

adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.

Mortality Healthy males: RP-2000 Combined Mortality Table with

White Collar adjustments, no set back. Generational

mortality improvements with Scale BB from the table's base

year of 2000.

Healthy females: GRS Southwest Region Teacher Mortality

Table, set back one year, generational mortality

improvements in accordance with Scale BB from the table's

base year of 2012.

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.

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

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

Comparative Schedule of Target Investment Allocation

		Policy
Asset Class	Allocation	Target
Equities		
Domestic Equities		
Large cap equities	16.60%	16.00%
Small- mid cap equities	3.20%	3.00%
Total domestic	19.80%	19.00%
International Equities		
Developed	4.90%	5.00%
Emerging markets	8.90%	9.00%
Total international	13.80%	14.00%
Total equities	33.60%	33.00%
Fixed Income		
Opportunistic credit	18.70%	18.00%
Core bonds	6.80%	6.00%
Emerging market debt	1.70%	2.00%
Total fixed income	27.20%	26.00%
Alternatives		
	2.000/	7.000/
Real estate - REITS	2.00%	7.00%
Real assets	7.40%	8.00%
Private equity	13.00%	13.00%
Global asset allocation	4.90%	4.00%
Risk parity	5.20%	3.00%
Other	5.40%	5.00%
Total alternatives	27.00%	40.00%
- Iotal alternatives	37.90%	40.00%
Cash	1.30%	1.00%
Total	100.00%	100.00%

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

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

Discount rate: A single discount rate of 5.69% was used to measure the total ERB pension liability as of June 30, 2018. This discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to project benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the 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 2018. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.69%) or one percentage point higher (6.69%) than the single discount rate.

	Current Discount						
	1	l% Decrease (4.69%)	se Rate (5.69%)		1% Increase (6.69%)		
District's proportionate share							
of the net pension liability	\$	151,764,644	\$	116,776,438	\$	88,228,245	

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for the year ended June 30, 2018, which is publicly available at www.nmerb.org.

Payables to the pension plan. The 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, 2019, the District owed the ERB \$995,392 for the contributions withheld in the month of June 2019.

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

General Information about the Other Post-Employment Benefits Plan

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

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

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

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

Benefits provided. The Act authorizes the NMRHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the NMRHCA or viewed on their website at www.nmrhca.state.nm.us.

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

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

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

For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C- 5(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Act.

The District's contributions to the plan for the year ended June 30, 2019 totaled \$589,637, which equals the required contributions for the year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2019, the District reported a liability of \$27,948,181 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.64273 which was a decrease of .02117 percent from June 30, 2017.

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

For the year ended June 30, 2019, the District recognized OPEB expense of (243,098). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferre	ed Outflows	Def	erred Inflows
	of Resources		0	f Resources
Differences between expected and actual experience	\$	-	\$	1,654,711
Changes in proportion		-		972,269
Net difference between projected and actual earnings				
on pension plan investments		-		348,783
Changes of assumptions		-		5,217,801
District's contributions subsequent to the measurement date		589,637		
Total	\$	589,637	\$	8,193,564

\$589,637 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended J	une	30:
--------------	-----	-----

2019	\$ (2,040,764)
2020	(2,040,764)
2021	(2,040,764)
2022	(1,622,899)
2023	(448,373)

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

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

Valuation Date June 30, 2017

Actuarial cost method Entry age normal, level percent of pay, calculated on individual

employee basis

Asset valuation method Market value of assets

Actuarial assumptions:

Inflation 2.50% for ERB member, 2.25% for PERA members

Projected payroll increase 3.50%

Investment rate of return 7.25%, net of OPEB plan investment expense and margin for

adverse deviation including inflation

Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare

medical plan costs and 7.5% graded down to 4.5% over 12 for

Medicare medical plan costs

Mortality ERB members: RP-2000 Combined Mortality Tables with White

Collar Adjustment (males) and GRS Southwest Region Teacher

Mortality Table (females)

PERA members: RP-2000 Combined Healthy Mortality

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

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

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

	Target	
Asset Class	Allocation	Long-Term
U.S. core fixed income	20%	2.1%
U.S. equity - large cap	20%	7.1%
Non U.S emerging markets	15%	10.2%
Non U.S developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S. equity - small/mid cap	3%	7.1%

Discount rate. The discount rate used to measure the total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 4.08% is the blended discount rate.

Basis for Allocation. The employers' proportionate share, reported in the Schedule of Employer Allocations, is calculated using employer contributions for employers that were members of the Authority as of June 30, 2018.

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	Current Discount					
	1% Decrease (3.08%)		Rate (4.08%)		1% Increase (5.08%)	
District's proportionate share						
of the OPEB liability	\$	33,826,880	\$	27,948,181	\$	23,316,820

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2018, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	Current Trend					
	1	% Decrease		Rate	1	L% Increase
District's proportionate share						
of the OPEB liability	\$	23,626,011	\$	27,948,181	\$	31,336,859

OPEB plan fiduciary net position. Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of OPEB Amounts by Employer, including the disclosure of the net OPEB liability and the unmodified audit opinion on the financial statements, is located in the New Mexico Retiree Health Care Authority financial statements for the fiscal year ended June 30, 2018. Additional financial information is available at www.nmrhca.state.nm.us or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Payables to the Pension Plan. The NMRHCA requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2019, the District recorded a payable to NMRHCA in the amount of \$124,269 for the contributions withheld in the month of June 2019, which is included in the Accrued Liabilities on the Statement of Net Position.

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 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 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 District had the following fund that maintained a deficit fund balance at June 30, 2019:

Nonmajor Funds

Fund 27124 Automated Text Messaging System	\$ 25
Fund 27180 Early College High School Start-Up	1
Fund 31700 Capital Improvements SB-9	20,601
Total governmental funds	\$ 20,627

B. Excess of expenditures over appropriations. The District had the following fund functions with excess of expenditures over appropriations for the year ended June 30, 2019:

Major Funds

Fund 31701 Capital Improvements SB 9 Capital Projects - support services	\$ 1,612
Fund 41000 Debt Service - support services	1,379
Total governmental funds	\$ 2,991

NOTE 11: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (Continued)

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, 2019:

					Cash
			Beginning Year	Αŗ	opropriation in
			Cash & AR		Excess of
	Des	ignated Cash	Available		Available
Fund 29107 City Count Grants	\$	23,646	\$ -	\$	(23,646)
Fund 43000 Ed Tech Debt Service		194,816	191,434		(3,382)

NOTE 12: 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 13: COMMITMENTS

The District had multiple construction projects ongoing as of the year ended June 30, 2019 that are to continue into the following fiscal year. These projects are as follows:

	Expected Total		
		Project	
Deming High School (Hofacket) Phase 2	\$	180,778	
Deming High School (Hofacket) Phase 2.3		4,796,905	
Total commitments	\$	4,977,683	

NOTE 14: 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 15: RESTRICTED NET POSITION

The government-wide statement of net position reports \$17,498,694 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 42-43 and 135-139.

NOTE 16: 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, 2019. 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 2019 totaled \$92,550 for consideration totaling \$57,450.

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.

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 2019 totaled \$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 2019 totaled \$22,115 for consideration totaling \$14,048.

NOTE 16: TAX ABATEMENTS (Continued)

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 17: SUBSEQUENT EVENTS

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

The District entered into Series 2019 General Obligation Bonds in the amount of \$2,500,000. The closing date was July 18, 2019. Principal is due August 1 with a maturity date of August 1, 2032. The GO Bonds have an interest rate of 3.00%.

NOTE 18: SUBSEQUENT PRONOUNCEMENTS

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The 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.

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

In June 2018, GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61), was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

NOTE 18: SUBSEQUENT PRONOUNCEMENTS (Continued)

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

NOTE 19: COMPONENT UNITS

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

The Charter provides education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

This summary of significant accounting policies of the Charter is presented to assist in the understanding of the Charter's financial statements. The financial statements and notes are the representation of the Charter's management that is responsible for the financial statements. The financial statements of the Charter have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

CU NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During the year ended June 30, 2019, the Charter adopted GASB Statement No. 88 *Certain Discourses Related to Debt, including Direct Borrowing and Direct Placement* and GASB Statement No. 83, *Certain Asset Retirement Obligation*. These Statements are required to be implement as of June 15, 2018. These statements did not materially impact the Charter's financial statements.

A. Financial Reporting Entity

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

CU NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

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.

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.

CU NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, shile not received in the current year, would be recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

All other revenue items are considered to be measurable and available only when cash is received by the government. The Charter had no tax abatements requiring separate disclosure under GASB Statement No. 77.

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

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

The *TANF/GRADS* (25162) fund is used to account for providing grants to states or territories to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two parent families. Authorized by the Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193. This fund was created by state grant provisions.

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

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

Additionally, the Charter reports the following Fiduciary funds:

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

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.

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

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.

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

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

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

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

While the Charter does not currently receive monthly income from a tax levy in Luna County, the following would be applicable in the future if it started receiving income from a tax levy. The funds would be collected by the County Treasurer and 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 2019 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2019. 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.

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, when applicable, is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and 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.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Charter's policies as assets with an initial, individual cost of more than \$5,000 (amount not rounded) per Section 12-6-10 NMSA 1978 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

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

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

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

Assets	Years
Building improvements	7-30 years
Equipment	5-20 years
Furniture & Fixtures	20 years

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)

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

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

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Charter has recorded \$36,208 related to grant revenues considered "unavailable." In addition, the Charter has two types of items present on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the items, changes in proportion of \$57,172 and difference between expected and actual experience of \$55,944 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In addition, the Charter has four types of items present on the Statement of Net Position which arise due to the implementation of GASB Statement No. 75 and the related post-employment benefit liability. Accordingly, the items, changes in proportion of \$56,004 changes in assumptions of \$176,408, net difference between projected and actual investments earnings of \$11,792 and differences between expected and actual experience of \$74,547, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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)

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Charter has five types of items that qualify for reporting in this category. Accordingly, the items, changes in proportion of \$211,825, changes of assumptions of \$807,276, differences between expected and actual experience of \$2,859, net difference between projected and actual investment earnings of \$8,671 and employer contributions subsequent to measurement date in the amount of \$140,923, are reported on the Statement of Net Position. These amounts are deferred and recognized as outflows of resources in future periods. Additionally, the Charter has one item that qualifies for reporting in this category due to the implementation of GASB Statement No. 75 and the related post-employment benefit liability. Accordingly, the item employer contributions subsequent to measurement date of \$18,877, is reported on the Statement of Net Position. The amount is deferred and recognized as outflows of resources in future periods.

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

Post-employment: For purposes of measuring the post-employment liability, deferred outflows of resources and deferred inflows of resources related to post-employment, and post-employment expense, information about the fiduciary net position of the Retiree Health Care Act (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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)

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

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

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

Nonspendable Fund Balance: At June 30, 2019, the Charter did not have fund balance in nonspendable form.

Restricted and Committed Fund Balance: At June 30, 2019, the restricted fund balance on the governmental funds balance sheet is made up of \$25,687 for instructional materials and education to the students of the Charter.

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

- a. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Net position is reported as restricted when constraints are placed on the use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, capital projects, and debt service" are described on pages 33-34 and 78 of the separately issued annual financial report of Deming Cesar Chavez Charter High School, a component unit of the District.

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)
 - c. Unrestricted Net Position: Net position that does not meet the definition of "Restricted" or "Net Investment in Capital Assets."

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

E. Revenues

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

A school Charter's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The Charter received \$1,638,389 in state equalization guarantee distributions during the year ended June 30, 2019.

Instructional Materials: The Public Education Department (Department) receives federal mineral leasing funds from which it makes annual allocations to the various school Charters for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2019 totaled \$5,396.

CU NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues (Continued)

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

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

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

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

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.

CU NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

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

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

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

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

- 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.

CU NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

- 6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
- 7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school Charter and approved by the DBPU.
- 8. Legal budget control for expenditures is by function.
- 9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the original budget and the final budget.
- 10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

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

The appropriated budget for the year ended June 30, 2019, was properly amended by the Charter's Board of Education throughout the year. These amendments resulted in the following changes:

Excess (deficiency) of Revenues over Expenditures

	Original Budget			Final Budget
Budgeted funds:				_
General Fund	\$	(414,491)	\$	(414,491)
TANF/GRADS		(31,937)		(31,937)
Public School Capital Outlay		-		-
Capital Improvements SB-9 State		-		-
Other governmental funds		(1,727)		(1,727)

CU NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

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

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

CU NOTE 3: DEPOSITS

Section 22-8-40, NMSA 1978 authorizes the investment of Charter funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Charter properly followed State investment requirements as of June 30, 2019.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Charter. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance. The collateral pledged is listed on Schedule of Collateral Pledged by Depository for Public Funds in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, Charter or political subdivision of the State of New Mexico.

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

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

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

CU NOTE 3: DEPOSITS (Continued)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Charter's deposits may not be returned to it. The Charter does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2019, \$305,334 of the Charter's bank balance of \$555,334 was exposed to custodial credit risk. \$250,583 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the Charter's name, and \$54,751 was uninsured and uncollateralized.

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

The collateral pledged is listed on Schedule of Collateral Pledged by Depository for Public Funds of this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, District or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the State of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

CU NOTE 3: DEPOSITS (Continued)

The Charter utilizes internal pooled accounts for some of their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheet as of June 30, 2019. The following individual funds had negative cash balances as of June 30, 2019:

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

Reconciliation to the Statement of Net Position

The carrying amount of deposits and investments shown above are included in the Charter's Statement of Net Position as follows:

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

CU NOTE 4: ACCOUNTS RECEIVABLE

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

	Public School Capital Outlay		Go	Other Governmental		
	•	31200		Funds		Total
Intergovernmental-grants:						
Federal	\$	61,785	\$	13,608	\$	75,393
Totals by category	\$	61,785	\$\$	13,608	\$	75,393

The above receivables are deemed 100% collectible.

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, 2019 is as follows:

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

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

The Charter did not have any operating transfers during the year end June 30, 2019.

CU NOTE 6: CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and construction in progress are not subject to depreciation.

Capital assets, net of accumulated depreciation, at June 30, 2019 appear in the Statement of Net Position as follows:

Governmental activities:		Balance				Balance
-	Ju	ne 30, 2018	Additions	Deletions	Ju	ine 30, 2019
Capital assets being depreciated:						
Buildings and improvements	\$	510,514	\$ -	\$ -	\$	510,514
Furniture and equipment		155,435	-	-		155,435
Total capital assets being						
depreciated		665,949	-	-		665,949
Less accumulated depreciation:						
Buildings and improvements		(66,610)	(13,090)	-		(79,700)
Furniture and equipment		(125,074)	(10,957)	-		(136,031)
Total accumulated depreciation		(191,684)	(24,047)	-		(215,731)
Total capital assets, net of						
depreciation	\$	474,265	\$ (24,047)	\$ -	\$	450,218

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

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

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, 2019, 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. The New Mexico Educational Retirement Act ("ERA") was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at https://www.nmerb.org/Annual reports.html.

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

CU NOTE 8: PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (Continued)

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

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

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

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

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

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

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

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

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the Cola would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.5%. All other retirees will have a 20% COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%. All other retirees will have a 10% COLA reduction; their average will be 1.8%.

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

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

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

Contributions. The contribution requirements of plan members and the Charter are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2019 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. Contributions to the pension plan from the Charter were \$140,923 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017. At June 30, 2019, the Charter reported a liability of \$3,917,004 for its proportionate share of the net pension liability. The Charter's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2018, the Charter's proportion was .03294 percent, which was an increase of 0.29547 percent from its proportion measured as of June 30, 2017.

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

At the June 30, 2019, the Charter reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferi	red Outflows	Defe	erred Inflows
		of Resources		of Resources
Changes in proportion	\$	211,825	\$	57,172
Changes of assumptions		807,276		-
Differences between expected and actual experience		2,859		74,547
Net difference between projected and actual earnings				
on pension plan investments		8,671		-
Charter's contributions subsequent to the measurement date		140,923		
Total	Ś	1,171,554	Ś	131,719
	т		т	

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

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

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

Year ended June 30	Year	end	beb	June	30
--------------------	------	-----	-----	------	----

2019	Ś	599,555
	Ą	,
2020		317,130
2021		(17,887)
2022		114
2023		-
Thereafter		_

Actuarial assumptions. The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2017. The total pension liability was rolled forward from the valuation date to the Plan's year ending June 30, 2018 using generally accepted actuarial principles. The liabilities reflect the impact of Senate Bill 115, signed into law March 29, 2013 and new assumptions adopted by the Board of Trustees on April 21, 2017. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

- 1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2016 and thereafter.
- 2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
- 3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
- 4. These assumptions were adopted by the Board on April 21, 2017 in conjunction with the six year experience study period ending June 30, 2016.
- 5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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

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

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll

Remaining Period Amortized – closed 30 years from June 30, 2012 to June 30, 2042

Asset Valuation Method 5 year smoothed market

Inflation 2.50%

Salary Increase Composed of 2.50% inflation, plus 0.75% productivity increase rate,

plus step rate promotional increases for members with less than 10

years of service

Investment Rate of Return 7.25%

Retirement Age Experience based table rates based on age and service, adopted by the

Board on April 21, 2017 in conjunction with the six-year experience study

for the period ending June 30, 2016.

Mortality Healthy males: RP-2000 Combined Mortality Table with White Collar

adjustments, no set back. Generational mortality improvements with

Scale BB from the table's base year of 2000.

Healthy females: GRS Southwest Region Teacher Mortality Table, set

back one year, generational mortality improvements in accordance

with Scale BB from the table's base year of 2012.

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.

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

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

Comparative Schedule of Target Investment Allocation

Equities Domestic Equities Large cap equities 16.60% 16.00% Small- mid cap equities 3.20% 3.00% Total domestic 19.80% 19.00% International Equities 19.80% 5.00% Developed 4.90% 5.00% Emerging markets 8.90% 9.00% Total international 13.80% 14.00% Total equities 33.60% 33.00% Fixed Income 0pportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% <t< th=""><th></th><th></th><th>Policy</th></t<>			Policy
Domestic Equities 16.60% 16.00% Small- mid cap equities 3.20% 3.00% Total domestic 19.80% 19.00% International Equities 19.80% 5.00% Developed 4.90% 5.00% Emerging markets 8.90% 9.00% Total international 13.80% 14.00% Total equities 33.60% 33.00% Fixed Income Opportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30%	Asset Class	Allocation	Target
Large cap equities 16.60% 16.00% Small- mid cap equities 3.20% 3.00% Total domestic 19.80% 19.00% International Equities 19.00% 5.00% Developed 4.90% 5.00% Emerging markets 8.90% 9.00% Total international 13.80% 14.00% Total equities 33.60% 33.00% Fixed Income Opportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives 7.40% 8.00% Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Equities		
Small- mid cap equities 3.20% 3.00% Total domestic 19.80% 19.00% International Equities 19.00% 5.00% Developed 4.90% 5.00% Emerging markets 8.90% 9.00% Total international 13.80% 14.00% Total equities 33.60% 33.00% Fixed Income 0pportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% 9.00% Private equity 13.00% 13.00% 13.00% Global asset allocation 4.90% 4.00% 4.00% Risk parity 5.20% 3.00% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Domestic Equities		
Total domestic 19.80% 19.00% International Equities 4.90% 5.00% Developed 4.90% 5.00% Emerging markets 8.90% 9.00% Total international 13.80% 14.00% Total equities 33.60% 33.00% Fixed Income 0pportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Large cap equities	16.60%	16.00%
Developed	Small- mid cap equities	3.20%	3.00%
Developed 4.90% 5.00% Emerging markets 8.90% 9.00% Total international 13.80% 14.00% Total equities 33.60% 33.00% Fixed Income Opportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Total domestic	19.80%	19.00%
Emerging markets 8.90% 9.00% Total international 13.80% 14.00% Total equities 33.60% 33.00% Fixed Income Opportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	International Equities		
Total international 13.80% 14.00% Total equities 33.60% 33.00% Fixed Income 0pportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Developed	4.90%	5.00%
Total equities 33.60% 33.00% Fixed Income 18.70% 18.00% Opportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Emerging markets	8.90%	9.00%
Fixed Income Opportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Total international	13.80%	14.00%
Opportunistic credit 18.70% 18.00% Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Total equities	33.60%	33.00%
Core bonds 6.80% 6.00% Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives 8.00% 7.00% Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Fixed Income		
Emerging market debt 1.70% 2.00% Total fixed income 27.20% 26.00% Alternatives 2.00% 7.00% Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Opportunistic credit	18.70%	18.00%
Total fixed income 27.20% 26.00% Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Core bonds	6.80%	6.00%
Alternatives Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Emerging market debt	1.70%	2.00%
Real estate - REITS 2.00% 7.00% Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Total fixed income	27.20%	26.00%
Real assets 7.40% 8.00% Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Alternatives		
Private equity 13.00% 13.00% Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Real estate - REITS	2.00%	7.00%
Global asset allocation 4.90% 4.00% Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Real assets	7.40%	8.00%
Risk parity 5.20% 3.00% Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Private equity	13.00%	13.00%
Other 5.40% 5.00% Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Global asset allocation	4.90%	4.00%
Total alternatives 37.90% 40.00% Cash 1.30% 1.00%	Risk parity	5.20%	3.00%
Cash 1.30% 1.00%	Other	5.40%	5.00%
	Total alternatives	37.90%	40.00%
Total 100.00% 100.00%	Cash	1.30%	1.00%
	Total	100.00%	100.00%

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

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

Discount rate: A single discount rate of 5.69% was used to measure the total ERB pension liability as of June 30, 2018. This discount rate was based on an expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to project benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Charter's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2018. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.69%) or one percentage point higher (6.69%) than the single discount rate.

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

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for the year ended June 30, 2018, which is publicly available at www.nmerb.org.

Payables to the pension plan. The Charter remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2019, the Charter owed the ERB \$767 for the contributions withheld in the month of June 2019.

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

General Information about the Other Post-Employment Benefits Plan

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

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

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

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

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

Benefits provided. The Act authorizes the NMRHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service-based subsidy rate schedule for the medical, plus basic life plan, plus an additional participation fee of five dollars (\$5) if the eligible participant retired prior to the employer's effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the NMRHCA or viewed on their website at www.nmrhca.state.nm.us.

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

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

The Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2019, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced plan during the fiscal year ended June 30, 2019, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C- 5(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Act.

The Charter's contributions to the plan for the year ended June 30, 2019 totaled \$18,877, which equals the required contributions for the year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2019, the Charter reported a liability of \$944,898 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Charter's proportion of the net OPEB liability was based on a projection of the Charter's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Charter's proportion was .02173 percent.

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

For the year ended June 30, 2019, the Charter recognized OPEB expense of (\$13,845). At June 30, 2019, the Charter reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred	l Outflows	Def	erred Inflows
	of	Resources		of Resources
Changes in proportion	\$	-	\$	56,004
Changes of assumptions		-		176,408
Differences between expected and actual experience		-		55,944
Net difference between projected and actual earnings on pension plan investments		-		11,792
Charter's contributions subsequent to the measurement date		18,877		-
Total	\$	18,877	\$	300,148

\$18,877 reported as deferred outflows of resources related to OPEB resulting from the Charter's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:						
	2019	\$	(73,897)			
	2020		(73,897)			
	2021		(73,897)			
	2022		(59,769)			
	2023		(18,688)			

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

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

Valuation Date June 30, 2017

Actuarial cost method Entry age normal, level percent of pay, calculated on individual

employee basis

Asset valuation method Market value of assets

Actuarial assumptions:

Inflation 2.50% for ERB member, 2.25% for PERA members

Projected payroll increase 3.50% to 12.50% based on years of service, including inflation

Investment rate of return 7.25%, net of OPEB plan investment expense and margin for

adverse deviation including inflation

Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare

medical plan costs and 7.5% graded down to 4.5% over 12 for

Medicare medical plan costs

Mortality ERB members: RP-2000 Combined Mortality Tables with White

Collar Adjustment (males) and GRS Southwest Region Teacher

Mortality Table (females)

PERA members: RP-2000 Combined Healthy Mortality

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

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

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

Comparative Schedule of Target Investment Allocation

	Target	
Asset Class	Allocation	Long-Term
U.S. core fixed income	20%	2.1%
U.S. equity - large cap	20%	7.1%
Non U.S emerging markets	15%	10.2%
Non U.S developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S. equity - small/mid cap	3%	7.1%

Discount rate. The discount rate used to measure the total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 4.08% is the blended discount rate.

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

Basis for Allocation. The employers' proportionate share, reported in the Schedule of Employer Allocations, is calculated using employer contributions for employers that were members of NMRHCA as of June 30, 2018.

Sensitivity of the Charter's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Charter's proportionate share of the net OPEB liability, as well as what the Charter's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	Current Discount				
	1% Decrease (3.08%)		Rate I.08%)	-	6 Increase (5.08%)
Charter's proportionate					
share of the OPEB liability	\$ 1,143,548	\$	944,898	\$	788,316

The following presents the net OPEB Liability of NMRHCA as of June 30, 2018, as well as what the Fund's net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	Current Trend				
	1%	Decrease		Rate	1% Increase
Charter's proportionate					
share of the OPEB liability	\$	798,770	\$	944,898	\$ 1,059,465

OPEB plan fiduciary net position. Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of OPEB Amounts by Employer, including the disclosure of the net OPEB liability and the unmodified audit opinion on the financial statements, is located in the New Mexico Retiree Health Care Authority financial statements for the fiscal year ended June 30, 2018. Additional financial information is available at www.nmrhca.state.nm.us or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Payables to the Pension Plan. The NMRHCA requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2019, the Charter did not have a recorded a payable to NMRHCA for the contributions withheld in the month of June, 2019.

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.

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:

D. Deficit fund balance of individual funds. The Charter had the following fund that maintained a deficit fund balance for the year ended June 30, 2019: improvements

Fund 31700 Capital Improvements SB-9 State \$ 20,208

E. Excess of expenditures over appropriations. The Charter had the following funds with excess of expenditures over appropriations for the year ended June 30, 2019:

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

F. Designated cash appropriations in excess of available balance. The Charter had no funds with designated cash appropriations in excess of available balances for the year ended June 30, 2019.

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

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 \$11,394 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related restrictions for net position restricted for special revenue see pages 33-34 and 78 of the separately issued annual financial report of Deming Cesar Chavez Charter High School, a component unit of the District.

CU NOTE 16: SUBSEQUENT EVENTS

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

CU NOTE 17: SUBSEQUENT PRONOUNCEMENTS

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

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

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

CU NOTE 17: SUBSEQUENT PRONOUNCEMENTS (Continued)

In June 2018, GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61), was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier Application is encouraged. The Charter is still evaluating how this pronouncement will affect the financial statements.

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Charter is still evaluating how this pronouncement will affect the financial statements.

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Required Supplementary Information

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

	2019 Measurement Date (As of and for the Year Ended June 30, 2018)	2018 Measurement Date (As of and for the Year Ended June 30, 2017)
Deming Public Schools' proportion of the net pension liability (asset)	0.98203%	1.00080%
Deming Public Schools' proportionate share of the net pension liability (asset)	\$ 116,776,438	\$ 111,223,590
Deming Public Schools' covered payroll	\$ 27,445,728	\$ 28,192,609
Deming Public Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	425%	395%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%

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

2015 Measurement Date (As of and for te Year Ended une 30, 2014)	(th	2016 Measurement Date As of and for e Year Ended une 30, 2015)	(th	2017 Measurement Date As of and for e Year Ended une 30, 2016)	(th
0.9889%		0.97924%		1.00766%	
56,421,681	\$	63,427,983	\$	72,515,582	\$
25,780,182	\$	27,836,551	\$	28,779,050	\$
219%		228%		252%	
66.34%		63.97%		63.97%	

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

	As of and for the Year Ended June 30, 2019			As of and for e Year Ended une 30, 2018
Contractually required contribution	\$	4,107,888	\$	3,816,721
Contributions in relation to the contractually required contribution		4,107,888		3,816,721
Contribution deficiency (excess)	\$	-	\$	-
Deming Public Schools covered payroll	\$	29,528,695	\$	27,445,728
Contribution as a percentage of covered payroll		13.90%		13.90%

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

	As of and for the Year Ended		As of and for the Year Ended		As of and for e Year Ended
J	une 30, 2017	J	une 30, 2016	J	une 30, 2015
\$	3,918,774	\$	4,000,590	\$	3,869,274
	3,918,774		4,000,590		3,869,274
\$	-	\$	-	\$	-
\$	28,192,609	\$	28,779,050	\$	27,836,551
	13.90%		13.90%		13.90%

Deming Public Schools Notes to Required Supplementary Information Educational Retirement Board (ERB) Pension Plan June 30, 2019

Changes of benefit terms.

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

Changes of assumptions.

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

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

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

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Deming Public Schools Schedule of Employer's Proportionate Share of the Net OPEB Liability of New Mexico Retiree Health Care Act Plan New Mexico Retiree Health Care Authority (NMRHCA) Plan Last 10 Fiscal Years*

	2019 Measurement Date (As of and for the Year Ended June 30, 2018)		2018 Measurement Date (As of and for the Year Ended June 30, 2017)	
Deming Public Schools' proportion of the net OPEB liability		0.64273%		0.66391%
Deming Public Schools' proportionate share of the net OPEB liability	\$	27,948,181	\$	30,086,230
Deming Public Schools' covered-employee payroll	\$	29,499,028	\$	27,656,149
Deming Public Schools' proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		94.74%		108.79%
Plan fiduciary net position as a percentage of the total OPEB liability		13.14%		11.34%

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

Deming Public Schools Public Schools Schedule of Employer Contributions New Mexico Retiree Health Care Authority (NMRHCA) Plan Last 10 Fiscal Years*

	As of and for the Year Ended June 30, 2019		As of and for the Year Ended June 30, 2018	
Contractually required contributions	\$	589,981	\$	548,891
Contributions in relation to the contractually required contribution		(589,981)		(548,891)
Contribution deficiency (excess)	\$	-	\$	
Deming Public Schools' covered-employee payroll	\$	29,499,028	\$	27,444,559
Contributions as a percentage of covered-employee payroll		2.00%		2.00%

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

Notes to Required Supplementary Information New Mexico Retiree Health Care Authority (NMRHCA) Plan June 30, 2019

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY18 audit available at http://www.nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM_RHCA_AuditedFS_6.30.18.pdf.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2018 report is available at http://www.nmrhca.org/uploads/FileLinks/4310380076d642ecb015117ae3cdbae8/5559596_NMRHCA_6ASB74_Report_as_of_June_30_2018.pdf. See the notes to the financial statements beginning on page 14 which summarizes actuarial assumptions and methods effective with the June 30, 2018 valuation.

Supplementary Information

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Nonmajor Governmental Funds

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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 for course fee which are approved by the Board of Education.

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 students with disabilities. 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 students with disabilities 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.

Center for Disease Control's Healthy Schools Program (24130) – This program supports evidence-based strategies and activities to reduce the risk of children and adolescents developing chronic disease in the future, manage chronic conditions prevalent in student populations (asthma, diabetes, epilepsy, food allergies, oral health) and improve academic success. Long-term outcomes include: (1) increasing the number of students who consume nutritious food and beverages, (2) increasing the number of students who participate in daily physical activity, and (3) reducing chronic health issues among students and improving health outcomes in schools. This program is authorized under sections 301(a) and 317(k)(2) of the Public Health Services Act.

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.

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.

Immigrant Funding - Title III (24163) – The objective of this grant is to help ensure that English learners (ELs), including immigrant children and youth, attain English proficiency and meet the same challenging State academic standards that all children are expected to meet. Authority for creation of this fund is Elementary and Secondary Education Act of 1965 (ESEA), as amended, Title III, Part A, Sections 3101-3131.

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.

Advancing Measurement at PED (24188) – To support the District's implementation of the AMP to improve the outcomes for student with disabilities by decreasing dropout rates and increasing graduation rates. Funding is by the US Department of Education, Special Education – Grants to State.

Student Support and Academic Enrichment (24189) – To support well-rounded education opportunities, safe and health students and effective use of technology (ESEA sections 4107, 4108 and 419). Funding is by the US Department of Education, Title IV – Student Support and Academic Enrichment Grants.

Direct Student Services (24193) – The purpose of this grant award is to help local educational agencies (LEAs) improve teaching and learning in high-poverty schools in particular for children failing, or most at-risk of failing, to meet challenging State academic standards. Authority for creation of this fund is Elementary and Secondary Education Act of 1965 (ESEA), as amended, Title I, Part A, 20 US Code 6301 et seq.

SPECIAL REVENUE FUNDS (Continued)

Title I- IASA - Federal Stimulus (24201) — 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.

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.

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. Army.

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. Established by (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.

2012 G.O. Bond Student Library Fund (27107) – This award allows schools to acquire library books, equipment and library resources for public school library resources for public school libraries statewide. The funding was made available through Senate Bill 66, Laws of 2012, 2nd Session, 2012 Senate and House Bill.

Automated Text Messaging System (27124) – The purpose of this grant award is to provide opportunities for streamlined communication with parents of high school students related to upcoming tests and absences. The funding was made available through a non-recurring appropriation passed during the 2018 legislative session.

SPECIAL REVENUE FUNDS (Continued)

Excellence in Teaching (27125) – The purpose of this grant award is to be used solely for the Excellence in Teaching salary supplements. These salary supplements are \$5,000 or \$10,000 per teacher and may only be awarded to teachers who have met the award criteria. The funding was made available through legislative appropriations.

Incentive for School Impr Act PED (27138) – The purpose of this grant award is to be used to provide support, travel, training, technical assistance, monitoring connected to he University of Virginia, Partnership in Leadership School Turnaround Program. The funding was made available through legislative appropriations.

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.

Kindergarten - Three Plus (27166) – The purpose of this grant award is to provide for the summer 2018 K-3 plus program. The funding was made available through legislative appropriations.

Early College High School Start-Up (27180) – The purpose of this grant award is to be used to implement the Early College High School initiative. The funding was made available through legislative appropriations.

K-3 Plus 4&5 PILOT (27198) – The purpose of this grant award is to provide for the summer 2018 4&5 pilot program. The funding was made available through legislative appropriations.

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. Fund established by the local school board.

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. Fund established by the local school board.

Math, Engineering, Science & Achievement (29110) – To account for a grant awarded to provide funding for math, engineering and science projects. Fund established by the local school board.

SPECIAL REVENUE FUNDS (Continued)

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. Fund established by the local school board.

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.

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.

				Special I	Rev	enue			
		Athletics 22000	ı	Non- Instructional Support 23000		Migrant Children Education 24103	1	Entitlement IDEA-B 24106	
Assets									
Cash and cash equivalents Receivables:	\$	82,283	\$	111,283	\$	-	\$	-	
Due from other governments		-		-		92,903		466,992	
Total assets	\$	82,283	\$	111,283	\$	92,903	\$	466,992	
Liabilities, deferred inflows of resources, and fund balances Liabilities									
Accounts payable	\$	817	\$	_	\$	681	\$	14,079	
Accrued payroll	Y	-	Y	_	Y	8,702	Y	54,461	
Due to other funds		-		-		83,520		398,452	
Total liabilities		817		-		92,903		466,992	
Fund balances Spendable: Restricted for:									
Extracurricular activities		81,466		111,283		-		_	
Education		-		-		-		_	
Debt service		-		-		-		-	
Unassigned		-		-		-		-	

81,466

82,283 \$

\$

111,283

111,283 \$

92,903 \$

466,992

Total fund balances

Total liabilities, deferred inflows of resources, and fund balances

Special R	Revenue
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Preschool IDEA-B 24109	Education of Homeless 24113	Center for ease Control's althy Schools Program 24130	IDE	A-B Results Plan 24132	English Language Acquisition 24153
\$ -	\$ -	\$ -	\$	-	\$ -
5,197	21,087	5,967		18,297	214,042
\$ 5,197	\$ 21,087	\$ 5,967	\$	18,297	\$ 214,042
\$ - - 5,197	\$ 20 384 20,683	\$ - - 5,967	\$	- - 18,297	\$ 16,097 2,221 195,724
5,197	21,087	5,967		18,297	214,042
- - - -	- - - -	- - - -		- - - -	- - - -
\$ 5,197	\$ 21,087	\$ 5,967	\$	18,297	\$ 214,042

	Special Revenue							
		Teacher/ Principal Training /Recruiting	F	Rural & Low Income Schools	Fu	Immigrant Inding - Title		Carl D. Perkins Secondary Current
	-	24154		24160		24163		24174
Assets								
Cash and cash equivalents	\$	-	\$	-	\$	-	\$	-
Receivables:								
Due from other governments		173,027		104,388		24,195		54,753
Total assets	\$	173,027	\$	104,388	\$	24,195	\$	54,753
Liabilities, deferred inflows of resources, and fund balances Liabilities								
Accounts payable	\$	1,540	\$	-	\$	34	\$	-
Accrued payroll		22,255		-		1,994		-
Due to other funds		149,232		104,388		22,167		51,997
Total liabilities		173,027		104,388		24,195		51,997
Fund balances Spendable: Restricted for:								
Extracurricular activities		_		_		_		_
Education		_		_		_		2,756
Debt service		_		-		_		-
Unassigned		-		-		-		-
Total fund balances		-		-		-		2,756
Total liabilities, deferred inflows of resources, and fund balances	\$	173,027	\$	104,388	\$	24,195	\$	54,753

Special Revenue	Sı	pecia	al Re	venu	e
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D. Perkins istribution 24176	Advancing asurement PED (AMP) 24188	Si	tudent Support and Academic Enrichment 24189	Dir	ect Student Services 24193	Title I-IASA - Federal Stimulus 24201
\$ -	\$ -	\$	-	\$	-	\$ -
 2,830	51,263		203,977		38,427	5
\$ 2,830	\$ 51,263	\$	203,977	\$	38,427	\$ 5
\$ 4	\$ 363	\$	462	\$	-	\$ -
- 2,826	3,240 47,660		5,337 198,178		- 38,427	- 5
2,830	51,263		203,977		38,427	5
,	,		·		·	
-	-		-		-	-
-	-		-		-	-
 -	-		-		-	-
			-		-	
\$ 2,830	\$ 51,263	\$	203,977	\$	38,427	\$ 5

		Special I	Reve	enue		
	Title XIX Medicaid	ROTC		Emergency ood/Shelter National	Dual Credit estructional Materials	
	25153	25200		25246	27103	
Assets						
Cash and cash equivalents Receivables:	\$ 111,525	\$ -	\$	2,753	\$ -	
Due from other governments	-	2,531		-	-	
Total assets	\$ 111,525	\$ 2,531	\$	2,753	\$ -	
Liabilities, deferred inflows of resources, and fund balances Liabilities Accounts payable Accrued payroll Due to other funds	\$ 758 31,748	\$ 815 1,053 663	\$	- -	\$ - -	
Total liabilities	32,506	2,531				
Fund balances Spendable: Restricted for: Extracurricular activities Education Debt service Unassigned	79,019 - -	- - -		- 2,753 - -	- - -	
Total fund balances	79,019	-		2,753	-	
Total liabilities, deferred inflows of resources, and fund balances	\$ 111,525	\$ 2,531	\$	2,753	\$ _	

Special Revenue	Sı	pecia	al Re	venu	e
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2 GO Bond ent Library 27107	Automated Messaging System 27124	Excellence in Teaching 27125	Incentive for School Impr Act PED 27138	Pr	eK Initiative 27149
\$ -	\$ -	\$ -	\$ -	\$	-
34,836	15,000	-	60,000		432,617
\$ 34,836	\$ 15,000	\$ -	\$ 60,000	\$	432,617
\$ -	\$ 25	\$ -	\$ -	\$	1,835
- 34,836	- 15,000	-	- 60,000		33,324 397,458
34,836	15,025	-	60,000		432,617
-	-	-	-		-
-	-	-	-		-
 	 (25)	 			
-	(25)	-	-		-
\$ 34,836	\$ 15,000	\$ -	\$ 60,000	\$	432,617

	Special Revenue								
		ergarten nree Plus		arly College High School Start-Up	K-3	Plus 4&5 PILOT		GRADS -	
		27166		27180		27198		28190	
Assets									
Cash and cash equivalents	\$	4	\$	-	\$	4	\$	1,085	
Receivables:									
Due from other governments		-		193,391		-			
Total assets	\$	4	\$	193,391	\$	4	\$	1,085	
Liabilities, deferred inflows of resources, and fund balances Liabilities									
Accounts payable	\$	_	\$	994	\$	_	\$	(2)	
Accrued payroll	•	_		16,275	•	_	•	-	
Due to other funds		-		176,123		-		-	
Total liabilities		-		193,392		-		(2)	
Fund balances Spendable: Restricted for:									
Extracurricular activities		-		-		-		-	
Education		4		_		4		1,087	
Debt service		-		-		-		-	
Unassigned		-		(1)		-		-	
Total fund balances		4		(1)		4		1,087	
Total liabilities, deferred inflows of resources, and fund balances	\$	4	\$	193,391	\$	4	\$	1,085	

Special Rev	enue
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		ciai Revenue	3pt				
School Based Health Center 29130	Math, Engineering, Science & chievement 29110	City/County Grants 29107		Private Dir Grants (Categorical) 29102	(GRADS Plus 28203	
\$ 36,972	-	\$ 203	\$	51,457	\$	8,836	\$
	-	-		-		3,423	
\$ 36,972	-	\$ 203	\$	51,457	\$	12,259	\$
\$ -	-	\$ -	\$	17 150 -	\$	105 833	\$
				167		938	
- 36,972	- -	- 203		- 51,290		- 11,321	
-	-	-		-		-	
36,972	-	203		51,290		11,321	
\$ 36,972	-	\$ 203	\$	51,457	\$	12,259	\$

	Special Revenue			Capital Projects				Debt Service	
	,	Wind Farm Projects	Imp	Capital provements SB-9		Education Technology Equipment Act	Ed	Tech Debt Service	
		29134		31700		31900		43000	
Assets									
Cash and cash equivalents Receivables:	\$	577,782	\$	-	\$	-	\$	195,853	
Due from other governments		-		67,414		-		_	
Total assets	\$	577,782	\$	67,414	\$	-	\$	195,853	
Liabilities, deferred inflows of resources, and fund balances Liabilities Accounts payable Accrued payroll Due to other funds Total liabilities	\$	- - -	\$	20,601 - 67,414 88,015	\$	- - -	\$	- - -	
Fund balances Spendable: Restricted for:									
Extracurricular activities		-		-		-		-	
Education		577,782		-		-		-	
Debt service		-		-		-		195,853	
Unassigned		-		(20,601)		-			
Total fund balances		577,782		(20,601)		-		195,853	
Total liabilities, deferred inflows of resources, and fund balances	\$	577,782	\$	67,414	\$	-	\$	195,853	

tal Nonmajor Governmental Funds
\$ 1,180,040
2,286,562
\$ 3,466,602
\$ 59,245 181,977 2,094,214 2,335,436
192,749 763,191 195,853 (20,627) 1,131,166
\$ 3,466,602

Deming Public Schools Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2019

	Special Revenue					
		Athletics	Non- Instructional Support		Migrant Children Education	Entitlement IDEA-B
Revenues		22000	23000		24103	24106
Property taxes	\$	_	\$ -	\$	_	\$ -
Intergovernmental revenue:			•	•		•
Federal flowthrough		_	-		183,842	1,144,324
Federal direct		-	-		-	-
Local sources		-	-		_	_
State flowthrough		-	-		_	_
State direct		-	-		-	-
Charges for services		61,628	132,019		-	-
Investment income		-	1,399		-	-
Miscellaneous income		-	-		-	-
Total revenues		61,628	133,418		183,842	1,144,324
Expenditures						
Current:						
Instruction		63,840	428,015		72,422	670,332
Support services - students		-	-		103,478	95,539
Support services - instruction		-	-		-	-
Support services - general						
administration		-	-		5,650	35,140
Support services - school						
administration		-	-		-	164,018
Central services		-	-		-	178,939
Operation and maintenance of plant		-	-		2,292	356
Student transportation		-	-		-	-
Community service operations		-	-		-	-
Capital outlay		-	-		-	-
Total expenditures		63,840	428,015		183,842	1,144,324
Excess (deficiency) of revenues						
over expenditures		(2,212)	(294,597)		-	
Net change in fund balances		(2,212)	(294,597)		-	-
Fund balances - beginning		83,678	405,880		-	-
Fund balances - end of year	\$	81,466	\$ 111,283	\$	-	\$ -

IDEA-B Preschool 24109	Education of Homeless 24113	Special Revenue Center for Disease Control's Healthy Schools Program 24130	IDEA-B Results Plan 24132	English Language Acquisition 24153
\$ -	\$ -	\$ -	\$ -	\$ -
21,286	29,194	7,020	18,297	277,159
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
_	-	-	_	-
_	-	-	-	-
21,286	29,194	7,020	18,297	277,159
20,687 - -	19,675 8,311 -	7,020 - -	18,270 - -	268,560 - -
599	-	-	27	8,599
-	-	-	-	-
-	-	-	-	-
-	1,208	-	-	-
-	-	-	-	-
-	-	-	-	-
21,286	29,194	7,020	18,297	277,159
-	-	-	-	-
-	-	-	-	-
\$ _	\$ -	\$ -	\$ -	\$ -

Deming Public Schools Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2019

		Special	Revenue	
	Teacher/ Principal Training /Recruiting	Rural & Low Income Schools	Funding - Title	Carl D. Perkins Secondary Current
Revenues	24154	24160	24163	24174
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	315,859	104,388	49,672	59,219
Federal direct	-	, -	, -	-
Local sources	-	-	_	-
State flowthrough	-	_	_	_
State direct	-	_	_	_
Charges for services	-	-	_	-
Investment income	-	-	_	-
Miscellaneous income	-	-	_	-
Total revenues	315,859	104,388	49,672	59,219
Expenditures				
Current:				
Instruction	306,154	96,458	49,672	57,539
Support services - students	-	-	, -	-
Support services - instruction	-	-	_	-
Support services - general				
administration	9,705	3,333	_	1,680
Support services - school	2,122	2,222		_,,,,,
administration	-	_	_	_
Central services	-	4,597	_	_
Operation and maintenance of plant	-	-	_	_
Student transportation	_	_	_	_
Community service operations	-	-	_	-
Capital outlay	-	-	-	-
Total expenditures	315,859	104,388	49,672	59,219
Excess (deficiency) of revenues				
over expenditures	_	_	_	_
Net change in fund balances				
	-	-	-	2 756
Fund balances - beginning	-	-	-	2,756
Fund balances - end of year	\$ -	\$ -	\$ -	\$ 2,756

_		_
\no	CIOL	Revenue
JUC	cıaı	Nevellue

	D. Perkins stribution 24176	Advancing Measurement at PED (AMP) 24188	Student Support and Academic Enrichment 24189	Direct Student Services 24193	Title I-IASA - Federal Stimulus 24201
\$	-	\$ -	\$ -	\$ -	\$ -
	6,634	79,877	203,977	69,983	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
-	6,634	79,877	203,977	69,983	
	6,427 -	5,678 70,804	203,977 -	68,201 410	-
	-	-	-	-	-
	207	2,455	-	1,372	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	- 940	-	-	-
	-	-	-	_	_
	6,634	79,877	203,977	69,983	-
	-	-	-	-	
	-	-	-	-	-
	-	-	-	-	
\$	-	\$ -	\$ -	\$ -	\$ -

Deming Public Schools Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2019

		Special Re	evenue	
	Title XIX Medicaid	ROTC	Emergency Food/ Shelter National	Dual Credit Instructional Materials
	25153	25200	25246	27103
Revenues				
Property taxes	\$ - \$	- 9	-	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	317,832	50,283	-	-
Local sources	-	-	6,250	-
State flowthrough	-	-	-	5,198
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	317,832	50,283	6,250	5,198
Expenditures				
Current:				
Instruction	-	50,283	3,000	5,198
Support services - students	412,791	-	-	-
Support services - instruction	-	_	_	-
Support services - general				
administration	-	_	_	_
Support services - school				
administration	_	_	_	_
Central services	_	_	_	_
Operation and maintenance of plant	_	_	_	_
Student transportation	_	_	_	_
Community service operations	-	-	-	_
Capital outlay	-	-	-	-
Total expenditures	412,791	50,283	3,000	5,198
Excess (deficiency) of revenues				_
over expenditures	(94,959)	-	3,250	-
Net change in fund balances	(94,959)	-	3,250	-
Fund balances - beginning	173,978		(497)	
Fund balances - end of year	\$ 79,019 \$	_	2,753	\$ -

Sr	pecial	Revenue
J	Jeciai	Nevellue

2 GO Bond ent Library 27107	Automated Text Messaging System 27124	Excellence in Teaching 27125	centive for school Impr Act PED 27138	PreK Initiative 27149
\$ -	\$ -	\$ -	\$ -	\$ -
_	-	_	_	_
_	-	-	-	-
_	-	-	-	-
34,837	15,000	139,719	60,000	1,048,340
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
 -	-	-	-	-
34,837	15,000	139,719	60,000	1,048,340
- - 34,837	- - -	139,719 - -	- - -	773,828 - -
-	15,025	-	60,000	9,118
_	-	-	_	126,494
-	-	-	-	-
-	-	-	-	-
-	-	-	-	10,200
-	-	-	-	-
 -	<u>-</u>	<u>-</u>	-	128,700
 34,837	15,025	139,719	60,000	1,048,340
-	(25)	-	-	-
-	(25)	-	-	-
 <u>-</u>		 -	 <u>-</u>	
\$ -	\$ (25)	\$ -	\$ 	\$ -

Deming Public Schools Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2019

		Special F	Revenue	
	Kindergarten Three Plus 27166	Early College High School Start-Up 27180	K-3 Plus 4&5 PILOT 27198	GRADS - Instruction 28190
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	885,857	302,564	462,244	-
State direct	-	-	-	4,000
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	
Total revenues	885,857	302,564	462,244	4,000
Expenditures				
Current:				
Instruction	727,627	269,790	340,495	8,124
Support services - students	69,968	32,775	52,876	-
Support services - instruction	3,496	-	2,330	-
Support services - general				
administration	-	-	-	-
Support services - school				
administration	19,644	-	29,025	-
Central services	-	-	-	-
Operation and maintenance of plant	17,570	-	1,574	-
Student transportation	47,548	-	35,940	-
Community service operations	-	-	-	-
Capital outlay	-	-	-	
Total expenditures	885,853	302,565	462,240	8,124
Excess (deficiency) of revenues				
over expenditures	4	(1)	4	(4,124)
Net change in fund balances	4	(1)	4	(4,124)
Fund balances - beginning				5,211
Fund balances - end of year	\$ 4	\$ (1)	\$ 4	\$ 1,087

Special F	Revenue
-----------	---------

School Based	Math, Engineering, Science &	City	Private Dir Grants	CDADS Blue	
Health Center 29130	 Achievement 29110	County Grant 2910	(categorical) 29102	GRADS Plus 28203	
\$ -	\$ \$ -		\$ -	\$ -	\$
-	-		-	-	
-	-	6,250	-	-	
-	-	0,230	-	-	
-	-		-	15,356	
-	-		-	-	
-	-		20,000	-	
	-	6,250	20,000	15,356	
-	1,609	4,493	31,218	10,871	
158	-		-	4,380 -	
-	-		-	-	
_	_		_	_	
-	-		-	-	
-	-		-	-	
-	-		-	-	
-	-		-	-	
158	1,609	4,493	31,218	15,251	
(158)	(1,609)	1,757	(11,218)	105	
(158)	(1,609)	1,757	(11,218)	105	
37,130	1,609	(1,554	62,508	11,216	
\$ 36,972	\$ \$ -		\$ 51,290	\$ 11,321	\$

Deming Public Schools Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2019

,	Special Revenu	ie Capital F	Debt Service	
	Wind Farm Projects 29134	SB-9	Education Technology Equipment Act 31900	Ed Tech Debt Service 43000
Revenues				4
Property taxes	\$ -	\$ -	\$ -	\$ 4,463
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	37,048	-
State flowthrough	-	313,453	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	246,543	-	-	-
Total revenues	246,543	313,453	37,048	4,463
Expenditures Current:				
Instruction	_	_	_	_
Support services - students	_	_	_	_
Support services - instruction	_	_	_	_
Support services - general				
administration	_	_	_	44
Support services - school				
administration	_	_	_	_
Central services	_	_	_	-
Operation and maintenance of plant	15,001	109,628	162,135	_
Student transportation				_
Community service operations	-	-	-	-
Capital outlay	49,506	170,835	-	-
Total expenditures	64,507	280,463	162,135	44
Excess (deficiency) of revenues				
over expenditures	182,036	32,990	(125,087)	4,419
Net change in fund balances	•			
_	182,036	32,990	(125,087)	4,419
Fund balances - beginning	395,746	(53,591)	125,087	191,434
Fund balances - end of year	\$ 577,782	\$ (20,601)	\$ -	\$ 195,853

tal Nonmajor Sovernmental Funds
\$ 4,463
2,570,731
368,115
49,548
3,267,212
19,356
193,647 1,399
266,543
 6,741,014
 0,741,014
4,729,182
851,490
40,663
152,954
339,181
183,536
309,764
93,688
940
 349,041 7,050,439
7,030,433
(309,425)
(309,425)
 1,440,591
\$ 1,131,166

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General Fund

Deming Public Schools Combining Balance Sheet General Fund June 30, 2019

				Pupil	Instructional	
		Operating	7	Transportation	Materials	
		11000		13000	14000	Total
Assets						
Cash and cash equivalents	\$	2,161,433	\$	7,132	\$ 239,599	\$ 2,408,164
Investments		23		-	-	23
Receivables:						
Property taxes		58,755		-	-	58,755
Due from other governments		82,598		-	-	82,598
Due from other funds		3,713,471		-	-	3,713,471
Total assets	\$	6,016,280	\$	7,132	\$ 239,599	\$ 6,263,011
Liabilities, deferred inflows of resource Liabilities	es, a	and fund bala	an	ces		
Accounts payable	\$	669,725	\$	1,268	\$ 52	\$ 671,045
Accrued payroll		1,198,010		6,802	-	1,204,812
Total liabilities		1,867,735		8,070	52	1,875,857
Deferred inflows of resources						
Unavailable revenue - property taxes		48,732		-	-	48,732
Total deferred inflows of resources		48,732		-	-	48,732
Fund balances Committed for:						
Subsequent year's expenditures		3,334,446		-	-	3,334,446
Unassigned		765,367		(938)	239,547	1,003,976
Total fund balances		4,099,813		(938)	239,547	4,338,422
Total liabilities, deferred inflows of						
resources, and fund balances	\$	6,016,280	\$	7,132	\$ 239,599	\$ 6,263,011

Deming Public Schools Combining Statement of Revenues, Expenditures, and Changes in Fund Balances General Fund For the Year Ended June 30, 2019

		Operating	T	Pupil ransportation	Ir	nstructional Materials	
		11000		13000		14000	Total
Revenues							
Property taxes	\$	295,829	\$	-	\$	-	\$ 295,829
Intergovernmental revenue:							
Federal flowthrough		288,480		-		-	288,480
Local sources		170,085		-		-	170,085
State flowthrough		61,284		-		172,618	233,902
State direct	3	9,978,633		-		-	39,978,633
Transportation distribution		-		2,000,978		-	2,000,978
Charges for services		145,656		-		-	145,656
Investment income		1,522		-		-	1,522
Miscellaneous		328		-		-	328
Total revenues		0,941,817		2,000,978		172,618	43,115,413
Expenditures							
Current:							
Instruction	2	23,421,249		-		43,554	23,464,803
Support services - students		3,823,383		-			3,823,383
Support services - instruction		1,315,369		-		-	1,315,369
Support services - general							
administration		1,133,383		-		-	1,133,383
Support services - school							
administration		2,785,351		-		-	2,785,351
Central services		1,462,815		-		-	1,462,815
Operation and maintenance plant		5,801,644		-		-	5,801,644
Student transportation		290,063		2,001,299		-	2,291,362
Capital outlay		5,371		-		-	5,371
Total expenditures		10,038,628		2,001,299		43,554	42,083,481
Excess (deficiency) of revenues over							
expenditures		903,189		(321)		129,064	1,031,932
•		303,103		(321)		123,004	1,031,332
Other financing sources (uses)							
Proceeds from sale of capital assets		73,953		-		-	73,953
Transfers (out)		-		-		-	
Total other financing sources (uses)		73,953		-		-	73,953
Net change in fund balances		977,142		(321)		129,064	1,105,885
Fund balances - beginning of year		3,122,671		(617)		110,483	3,232,537
Fund balances - end of year	\$	4,099,813	\$	(938)	\$	239,547	\$ 4,338,422

Deming Public Schools Operating Fund (11000) Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual For the Year Ended June 30, 2019

Variances

								variances		
							Favorab			
		Budgete				(Unfavorable)				
		Original		Final		Actual	Fir	nal to Actual		
Revenues										
Property taxes	\$	292,503	\$	292,503	\$	296,016	\$	3,513		
Intergovernmental revenue										
Federal flowthrough		236,149		236,149		289,909		53,760		
Local sources		6,135		6,135		88,124		81,989		
State flowthrough		61,850		61,850		61,284		(566)		
State direct	3	39,688,077		39,991,468		39,978,633		(12,835)		
Charges for services		8,000		69,785		145,656		75,871		
Investment income		8,000		8,000		885		(7,115)		
Miscellaneous		7,500		7,500		328		(7,172)		
Total revenues	4	40,308,214		40,673,390		40,860,835		187,445		
Expenditures										
Current:										
Instruction	2	25,706,234		25,712,182		22,982,619		2,729,563		
Support services - students		3,884,173		4,455,323	3,821,931		633,392			
Support services - instruction		1,364,462		1,447,812		1,316,123		131,689		
Support services - general administration		1,404,208		1,399,131		1,131,495		267,636		
Support services - school administration		2,928,665		2,926,142		2,785,351		140,791		
Central services		2,650,042		1,768,142		1,461,589		306,553		
Operation and maintenance of plant		5,738,700		5,872,185		5,775,216		96,969		
Student transportation		81,985		385,285		291,095		94,190		
Other support services		42,824		42,824		, -		42,824		
Total expenditures		43,801,293		44,009,026		39,565,419		4,443,607		
Excess (deficiency) of revenues		<u> </u>		, ,		•		<u> </u>		
over expenditures		(3,493,079)		(3,335,636)		1,295,416		4,631,052		
		(3,433,073)		(3,333,030)		1,233,410		4,031,032		
Other financing sources (uses)										
Designated cash balance								/ ·\		
(budgeted increase in cash)		3,490,579		3,333,136				(3,333,136)		
Proceeds from sale of capital assets		2,500		2,500		73,953		71,453		
Total other financing sources (uses)		3,493,079		3,335,636		73,953		(3,261,683)		
Net change in fund balance		-		-		1,369,369		1,369,369		
Fund balance - beginning of year		-		-		3,307,548		3,307,548		
Fund balance - end of year	\$	-	\$	-	\$	4,676,917	\$	4,676,917		
Net change in fund balance (Non-GAAP Budgeta	arv Rad	cic)					\$	1,369,369		
Adjustments to revenues for taxes and intergov	•	•	10				ب	80,982		
Adjustments to revenues for taxes and intergov										
	ayı UII	experiuiture	:5					(473,209)		
Net change in fund balance (GAAP Basis)							\$	977,142		

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, 2019

						Variances
						Favorable
		Budgete	d An	nounts		(Unfavorable)
		Original		Final	Actual	Final to Actual
Revenues						
Intergovernmental revenue						
Transportation distribution	\$	1,957,214	\$	2,000,978	\$ 2,000,978	\$ -
Total revenues		1,957,214		2,000,978	2,000,978	-
Expenditures						
Current						
Student transportation		1,957,214		2,000,978	2,000,649	329
Total expenditures		1,957,214		2,000,978	2,000,649	329
Excess (deficiency) of revenues						
over expenditures		-		-	329	329
Other financing sources (uses)						
Designated cash balance						
(budgeted increase in cash)		-		-	-	-
Total other financing sources (uses)		-		-	-	-
Net change in fund balance		-		-	329	329
Fund balance - beginning of year		-		-	1	1
Fund balance - end of year	\$	-	\$	-	\$ 330	\$ 330
Net change in fund balance (Non-GAAP Budge	etary Ra	cic)				\$ 329
Adjustments to expenditures for pupil transport	•	•				(650)
Net change in fund balance (GAAP Basis)						\$ (321)

Deming Public Schools Instructional Materials Fund (14000) Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Budgetary Basis) and Actual For the Year Ended June 30, 2019

								Variances		
								Favorable		
		Budgete	d Am	ounts			(Uı	nfavorable)		
		Original				Actual	Final to Actual			
Revenues		_								
Intergovernmental revenue										
State flowthrough	\$	172,618	\$	183,774	\$	172,618	\$	(11,156)		
Total revenues		172,618		183,774		172,618		(11,156)		
Expenditures										
Current										
Instruction		251,189		294,257		43,502		250,755		
Total expenditures		251,189		294,257		43,502		250,755		
Excess (deficiency) of revenues										
over expenditures		(78,571)		(110,483)		129,116		239,599		
Other financing sources (uses)										
Designated cash balance										
(budgeted increase in cash)		78,571		110,483		_		(110,483)		
Total other financing sources (uses)		78,571		110,483		-		(110,483)		
Net change in fund balance		-		-		129,116		129,116		
Fund balance - beginning of year		-		-		110,483		110,483		
Fund balance - end of year	\$	-	\$	-	\$	239,599	\$	239,599		
Not shares in fund balance (Non CAAR Build	rotow. Do						۲	120 116		
Net change in fund balance (Non-GAAP Budg Adjustments to expenditures for instructional		•					\$	129,116 (52)		
Net change in fund balance (GAAP Basis)							\$	129,064		

Supporting Schedules

Deming Public Schools Schedule of Deposits June 30, 2019

Bank Account Type/ Name	First New Mexico Bank	First Savings Bank	Wells Fargo Bank
Federal Account #1 - Checking - A/P	\$ 343,079	\$ -	\$ -
Cafeteria Account - Checking	3,749,722	-	-
SB9 Account #1 - Checking	4,954,931	-	-
Debt Service Account - Checking	3,346,286	-	-
Gate Receipts Account - Checking	870,483	-	-
Operational Account #1 - Checking	17	1,495,818	-
Operational Account #2 - Checking - Payroll	2,947,488	-	-
2018 Series Bond - Checking	-	-	50,000
Building Fund 1991 - Checking	-	-	349,244
Investment Account	-	-	-
Local Government Investment Pool	-	-	_
Total	\$ 16,212,006	\$ 1,495,818	\$ 399,244

Reconciling items

Reconciled balance June 30, 2019

Less: investments per statement of net position

Less: restricted investments per statement of net position

Less: restricted cash per statement of net position

Less: agency cash per statement of fiduciary assets and liabilities

Cash and cash equivalents per statement of net position

	State of		
Moreton	New Mexico		
Investments	Treasurer		Total
\$ -	\$ -	\$	343,079
-	-		3,749,722
-	-		4,954,931
-	-		3,346,286
-	-		870,483
-	-		1,495,835
-	-		2,947,488
-	-		50,000
-	-		349,244
2,963,400	-		2,963,400
 -	23		23
\$ 2,963,400	\$ 23	=	21,070,491
			(1,398,320)
			19,672,171
			(23)
			(2,963,400)
			(8,772,553)
			(673,683)
		\$	7,262,512

Deming Public Schools Cash Reconciliation For the Year Ended June 30, 2019

	Operational 11000	Tra	ansportation 13000	lr	nstructional Materials 14000	Food Services 21000
PED cash						
June 30, 2018	\$ 3,290,312	\$	1	\$	110,483	\$ 5,379,519
Add:						
2018-2019 receipts	40,935,426		2,000,978		172,618	3,255,470
Repayment of loans	463,886		329		-	24,949
Total cash available	44,689,624		2,001,308		283,101	8,659,938
Less:						
2018-2019 expenditures	(40,012,004)		(2,000,978)		(43,502)	(4,908,981)
Repayment of prior year loans	(3,989,488)		-		-	_
Cash per PED	688,132		330		239,599	3,750,957
	· · · · · · · · · · · · · · · · · · ·				,	
Add / Less:						
Loans for negative cash	-		-		-	-
Investments	(23)		-		-	-
Audit Adjustments	-		-		-	-
Held checks	1,473,324		6,802		-	69,381
Cash per financial statement	\$ 2,161,433	\$	7,132	\$	239,599	\$ 3,820,338

	Non-			
	Instructional	Federal	Federal	State
Athletics	Support	Flowthrough	Direct	Flowthrough
22000	23000	24000	25000	27000
\$ 83,678	\$ 405,880	\$ (2,558,293)	\$ 170,625	\$ (631,216)
61,628	133,417	5,098,094 14,699	374,690 735	2,849,130 2,828
145,306	539,297	2,554,500	546,050	2,220,742
(63,023)	(428,436) -	(5,743,566) 3,189,066	(465,234)	(2,953,750) 733,008
82,283	110,861	-	80,816	<u>-</u>
-	-	-	-	-
-	422	-	- 661	8
 -	-	-	32,801	-
\$ 82,283	\$ 111,283	\$ -	\$ 114,278	\$ 8

Deming Public Schools Cash Reconciliation For the Year Ended June 30, 2019

	State	Local or	Bond	lm	Capital provements
	Direct	State Fund	Building		SB-9-State
	28000	29000	31100		31700
PED cash					
June 30, 2018	\$ 16,427	\$ 533,196	\$ 5,673,696	\$	-
Add:					
2018-2019 receipts	15,933	272,794	2,658,131		246,039
Repayment of loans	105	17	-		-
Total cash available	32,465	806,007	8,331,827		246,039
Less:					
2018-2019 expenditures	(23,377)	(139,744)	(4,939,281)		(313,453)
Repayment of prior year loans	-	-	-		67,414
Cash per PED	9,088	666,263	3,392,546		
Add / Less:					
Loans for negative cash	-	-	-		-
Investments	-	-	(2,963,400)		-
Audit Adjustments	-	1	24,750		-
Held checks	833	150	-		-
Cash per financial statement	\$ 9,921	\$ 666,414	\$ 453,896	\$	

In	Capital nprovements SB-9-Local 31701	Education Technology Equipment Act 31900	Debt Service			Ed Tech Debt Service 43000		Total
	31/01	31900		41000		43000		TOLAI
\$	4,111,104	\$ 125,087	\$	3,096,719	\$	191,434	\$	19,998,652
	1,194,752 -	37,047		3,422,551		4,463		62,733,161 507,548
								307,310
	5,305,856	162,134		6,519,270		195,897		83,239,361
	(258,912) -	(162,134) -		(3,368,837)		(44) -		(65,825,256)
	5,046,944	_		3,150,433		195,853		17,414,105
	-	-		-		-		- (2,963,423)
	(24,750)	-		-		-		1,092
	-	-		-		-		1,583,291
\$	5,022,194	\$ -	\$	3,150,433	\$	195,853	\$	16,035,065
		Cash balance above					۲.	46 025 065
			\$ \$	16,035,065				
	Cash and restricted cash per Statement of Net Position							16,035,065
		Investment balance	e abo	ove			\$	2,963,423
		Investment per Sta	teme	ent of Net Posit	ion		\$	2,963,423

Deming Public Schools Schedule of Collateral Pledged by Depository for Public Funds June 30, 2019

				3011	10 30, 2013
Name of	Description of		CUSIP		Fair Market
Depository	Pledged Collateral	Maturity	Number		June 30, 2019
1st New Mexico Bar	nk	-			
Н	obbs	4/15/2026	433866DT4	\$	523,320
Po	ena	9/1/2024	706593AP5		150,981
FI	-CB	11/23/2022	3133EC4Q4		2,003,966
FI	-CB	10/5/2022	3133EFX44		995,628
FI	HLB	12/9/2022	313381BR5		501,927
G	ALL	6/1/2023	364034AN8		406,880
FI	HLB	3/6/2024	3130AAV54		1,000,029
FI	HLB	6/14/2024	3130A1XJ2		2,098,254
FI	HLB	3/2/2026	3130AAU97		1,003,775
FI	-СВ	11/29/2024	3133EGP74		1,000,022
Tot	al 1st New Mexico Bank				9,684,782
Nar	me and location of safekeepe	er for above pleds	ged collateral:		
	Independent Bankers' Bank		ged condicion.		
	macpenaent bankers bank	Danas, renas			
First Savings Bank					
	HLMC 10YR	12/1/2021	3128PXLU6		132,499
	NMA 10YR	12/1/2021	3138E4J44		63,838
	NMA 10YR	1/1/2022	31417ATN9		45,147
FI	NMA 10YR	1/1/2022	31417ATN9		104,660
FI	NMA 10YR	3/1/2022	31418ADU9		111,424
FI	NMA 10YR	4/1/2022	31418AEC8		95,780
FI	NMA AGENCY	4/5/2022	3135GOT45		200,131
FI	HLMC 10YR	3/1/2023	31307BJW1		13,985
FI	HLMC 10YR	3/1/2023	31307BJW1		119,874
FI	HLMC 10YR	3/1/2023	31307BJW1		85,351
R	OSWELL ISD NM 23	8/1/2023	778550JG9		210,084
FI	NMA 15 YR	2/1/2026	3138A7GY8		118,488
FI	NMA 15 YR	7/1/2026	31417Y3H8		229,946
G	NMA II 15YR	11/20/2026	36202FYY6		500,998

Name and location of safekeeper for above pledged collateral: Federal Reserve Bank - Dallas, Texas

GNR 2010-46 HG

FNR 2010-135 CH

FHR 3925 DE

GNR 2011-43 E

FNR 2017-18 CA

Total First Savings Bank

See independent auditors' report.

3/16/2038

4/25/2040

7/15/2040

12/20/2040

1/25/2043

38376YEL1

31398SN66

3137AFGA4

38377UMA3

3136AVQK8

9,999

42,214

111,398

1,244,136

3,473,992

34,040

Name of	Description of		CUSIP		Fair Market				
Depository	Pledged Collateral	Maturity	Number		June 30, 2019				
(Continued)									
Wells Fargo									
	FNMA FNMS 3.500%	1/1/2042	31417AX87	\$	58,153				
	FNMA FNMS 3.500%	1/1/2042	31418ACM8		31,393				
	Total Wells Fargo Bank				89,546				
	Name and location of safekeeper for above pledged collateral: BNY Mellon, One Wall Street, Fourth Floor, New York, NY 10286								
Total pledged	\$	13,248,319							

Deming Public Schools Schedule of Changes in Assets and Liabilities - Agency Funds For the Year Ended June 30, 2019

		July 1, 2018		Additions		Deletions	Ju	ine 30, 2019	
Administration	\$	81,216	\$	577,128	\$	139,662	\$	518,682	
Activities		143,235		236,864		225,098		155,001	
Totals	\$	224,451	\$	813,992	\$	364,760		673,683	
Total agency cash and cash equivalents per statement of fiduciary assets and liabilities \$ 673,									
Accounts payable Due to student organizations	\$	5,906 218,545	\$	12,391 801,601	\$	5,906 358,854	\$	12,391 661,292	
Due to student organizations		218,343		801,601		338,834		001,292	
Totals	\$	224,451	\$	813,992	\$	364,760		673,683	
Total agency liabilities per statement of fiduciary assets and liabilities									

Compliance Section



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

INDEPENDENT AUDITORS' REPORT

Brian S. Colón
New Mexico State Auditor and
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 funds of the Deming Public Schools (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item FA 2018-001.

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 2016-016, NM 2016-020, NM 2019-001, NM 2019-002 for the District and CU NM 2017-004, CU NM 2018-001 and CU NM 2019-001 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.

Carr, Riggs & Ingram, LLC

Albuquerque, New Mexico

Can, Rigge & Ingram, L.L.C.

November 15, 2019

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Federal Financial Assistance



Carr, Riggs & Ingram, LLC 2424 Louisiana Boulevard NE Suite 300 Albuquerque, NM 87110

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

INDEPENDENT AUDITORS' REPORT

Brian S. Colón
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, 2019. 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, 2019.

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 2019-001. 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items FA 2018-002, that we consider to be material weaknesses.

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.

Carr, Riggs & Ingram, LLC

Caux Rigge & Ingram, L.L.C.

Albuquerque, New Mexico

November 15, 2019

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Deming Public Schools Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

		Pass Thru
Federal Grantor or Pass-Through Grantor / Program Title		Number
U.S. Department of Education		
Title I Grants to Local Educational Agencies	*	24101
Title I Grants to Local Educational Agencies		24193
Migrant Education State Grant Program		24103
Special Education Grants to States - Special Education Cluster (IDEA)		24106
Special Education Preschool Grants - Special Education Cluster (IDEA)		24109
Special Education Grants to States - Special Education Cluster (IDEA)		24132
Special Education Grants to States - Special Education Cluster (IDEA)		24188
Subtotal - Special Education Cluster		
Education for Homeless Children and Youth		24113
English Language Acquisition State Grants		24153
Supporting Effective Instruction State Grants		24154
Rural Education		24160
English Language Acquisition State Grants		24163
Career and Technical Education Basic Grants to States		24174
Career and Technical Education Basic Grants to States		24176
Student Support and Academic Enrichment Program		24189
Total U.S. Department of Education		
U.S. Department of Health and Human Services		
Improving Student Health and Academic Achievement through Nutrition,		
Physical Activity and the Management of Chronic Conditions in Schools		24130
Total U.S. Department of Health and Human Services		
U.S. Department of Agriculture		
School Breakfast Program - Child Nutrition Cluster	*	21000
National School Lunch Program - Child Nutrition Cluster	*	21000
Subtotal - Child Nutrition Cluster		
Total U.S. Department of Agriculture		
U.S. Department of Homeland Security		
Emergency Food and Shelter National Board Program		25246
Total U.S. Department of Homeland Security		
U.S. Department of Homeland Security		
ROTC		25200
Total U.S. Department of Homeland Security		
Total Federal Financial Assistance		

^{*} Denotes Major Federal Financial Assistance Program

See independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards.

Federal CFDA Number Federal Expenditures Program Subtotals Provided to Subrecipients Noncash Assistance 84.010 \$ 3,164,871 \$ - \$ - \$ - - 84.010A 69,983 - 84.011 183,842 - 84.027 1,144,324 84.027A 18,297 84.027A 79,877 84.196 29,194 84.365A 277,159 84.365A 277,159 84.365B 104,388 84.365A 49,672 84.048 59,219 - 84.048 6,634 - 84.424 203,977 - 93.981 7,020 - 10.553 1,354,042 106,597 10.555 2,574,218	Fodoval CFDA		Fadaval	Cluster/	Dua	Funds	Namaaah
84.010 \$ 3,164,871 \$ - \$ - 84.010A 69,983 3,234,854 84.027 1,144,324 84.027A 18,297 84.027A 18,297 84.027A 79,877 1,263,784 84.196 29,194 84.365A 277,159 84.365A 277,159 84.358B 104,388 84.365A 49,672 84.048 6,634 84.048 6,634 84.424 203,977 - 5,728,582 - - 93.981 7,020 - 93.928,260 3,928,260 - 313,520 97.024 3,000 - 3,000 - - 3,000 - <		_		_			
84.010A 69,983 - - 84.011 183,842 - - 84.027 1,144,324 - - 84.173 21,286 - - 84.027A 18,297 - - 84.027A 79,877 - - 84.196 29,194 - - 84.365A 277,159 - - 84.367A 315,859 - - 84.358B 104,388 - - 84.365A 49,672 - - 84.048 59,219 - - 84.048 6,634 - - 84.424 203,977 - - 93.981 7,020 - - 93.981 7,020 - - 10.553 1,354,042 - 106,597 10.555 2,574,218 - 206,923 3,928,260 - 313,520 97.024 3,000 - - 3,000 - -	Number		xpenditures	Subtotals	Subre	cipients	Assistance
84.010A 69,983 - - 84.011 183,842 - - 84.027 1,144,324 - - 84.173 21,286 - - 84.027A 18,297 - - 84.027A 79,877 - - 84.196 29,194 - - 84.365A 277,159 - - 84.367A 315,859 - - 84.358B 104,388 - - 84.365A 49,672 - - 84.048 59,219 - - 84.048 6,634 - - 84.424 203,977 - - 93.981 7,020 - - 93.981 7,020 - - 10.553 1,354,042 - 106,597 10.555 2,574,218 - 206,923 3,928,260 - 313,520 97.024 3,000 - - 3,000 - -							
84.011 183,842 - - 84.027 1,144,324 - - 84.173 21,286 - - 84.027A 18,297 - - 84.027A 79,877 - - 84.196 29,194 - - 84.365A 277,159 - - 84.367A 315,859 - - 84.358B 104,388 - - 84.048 59,219 - - 84.048 6,634 - - 84.424 203,977 - - 5,728,582 - - - 93.981 7,020 - - 10.553 1,354,042 - 106,597 10.555 2,574,218 - 206,923 3,928,260 3,928,260 313,520 97.024 3,000 - - 3,000 - - - 50,283 - - - 12.001 50,283 - - <td>84.010</td> <td>\$</td> <td>3,164,871</td> <td></td> <td>\$</td> <td>-</td> <td>\$ -</td>	84.010	\$	3,164,871		\$	-	\$ -
84.011 183,842 84.027 1,144,324 84.173 21,286	84.010A		69,983			-	-
84.027 1,144,324 - - 84.027A 18,297 - - 84.027A 79,877 - - 1,263,784 84.196 29,194 - - 84.365A 277,159 - - 84.365A 277,159 - - 84.358B 104,388 - - 84.365A 49,672 - - 84.048 59,219 - - 84.048 6,634 - - 84.424 203,977 - - 93.981 7,020 - - 93.981 7,020 - - 10.553 1,354,042 - 106,597 10.555 2,574,218 - 206,923 3,928,260 3,928,260 - 313,520 97.024 3,000 - - - 12.001 50,283 - - - 50,283 - - - -				3,234,854			
84.173 21,286 - - <t< td=""><td>84.011</td><td></td><td>183,842</td><td></td><td></td><td>-</td><td>-</td></t<>	84.011		183,842			-	-
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See independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards.

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Deming Public Schools Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2019

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 Deming Public Schools 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 expenditures	\$ 71,679,013
Total expenditures funded by other sources	61,961,868
Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 9,717,145

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No

SECTION I – SUMMARY OF AUDITORS' RESULTS

6. Auditee qualified as low-risk auditee?

Financ	ial S	tatements:						
1.	Ту	pe of auditors' report issued	Unmodified					
2.	Int	ternal control over financial reporting:						
	a.	Material weaknesses identified?	None noted					
	b.	b. Significant deficiencies identified not considered to be material weaknesses?						
	c.	c. Noncompliance material to the financial statements?						
Federa	ıl Av	vards:						
1.	Ту	pe of auditors' report issued on compliance for major programs	Unmodified					
2.	. Internal control over major programs:							
	a.	Material weaknesses identified?	Yes					
	b.	Significant deficiencies identified not considered to be material weaknesses?	None noted					
3.		ly audit findings disclosed that are required to be reported in accordance th 2 CFR section 200.516 (a)	Yes					
4.	Ide	entification of major programs:						
		CFDA Number Federal Program						
		10.553 & 10.555 Child Nutrition Cluster						
		84.010 Title I Grants to Local Educational Agencie	es – IASA					
5.	Do	ollar threshold used to distinguish between type A and type B programs:	\$750,000					

SECTION II – FINANCIAL STATEMENT FINDINGS

Primary Government

None noted.

Component Unit

None noted.

SECTION III – FEDERAL AWARD FINDINGS

Primary Government

<u>FA 2018-002 – Annual Report Card, High School Graduation Rate for Title I – Material Weakness and Noncompliance (Repeated and Modified)</u>

Condition: The District was not obtaining proper written documentation to substantiate the correct student withdrawal codes for 24 of 50 students tested.

Federal Program Information:

Funding Agency: U.S. Department of Education

Title: Title I Grants to Local Education Agencies

CFDA Number: 84.010 Federal Award Identification number 24101

Pass Through Entity: New Mexico Public Education Department

Award Year: 2018-19

Progress on resolution of prior year finding: The district has reviewed and adjusted the current trainings and process for student withdrawal documentation. Additionally, Elevated levels of students' electronic data entry/reporting, administrator review, and performance evaluation impacts have been deployed for responsible staff.

SECTION III – FEDERAL AWARD FINDINGS (Continued)

FA 2018-002 – Annual Report Card, High School Graduation Rate for Title I – Material Weakness and Noncompliance (Repeated and Modified) (Continued)

Criteria: 2 CFR 200.303 requires a non-Federal entity to Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Per the Adequate Yearly Progress and Other Academic Indicators as described in 34 CFR section 200.13(b)(7)(ii) and 200.19(b)(1), a state educational agency (SEA) and its local educational agencies (LEAs) must report graduation rate data for all public high schools using a 4-year adjusted cohort rate defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased. To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in a non-NMPED school that culminates in the award of a regular high school diploma.

Questioned costs: None

Effect: District's reported High School Graduation Rate for the 2017-2018 school year cannot be verified due to lack of written documentation for students removed from cohort as transfers.

Cause: Lack of internal controls at school sites to ensure that District staff obtains all necessary written documentation for student personnel files, including proof of transfer.

Auditor's Recommendation: We recommend that District Management implement controls over school sites to ensure student personnel files are complete and accurate, including internal audits of school sites and periodic reviews, and a secondary review of the cohort whenever the withdrawal code "W81," "W10", "W6", and "WD" for students who transfer out of the District, is implemented, as well as review of all students with the W codes in the system.

Management Response: The district has implemented Student Information System customization for electronic tracking and entry of all student withdrawal documentation and records requests. Increased accountability and review of student records from district leadership have already been put in place.

Current Status/Plan of Action: Student Information System customization has been implemented and training will be ongoing as necessary to ensure student records are complete and accurate. Additional review protocols are in place, specifically regarding use of correct withdrawal codes as well as follow up with the school site to ensure correct withdrawal codes are used. Joint training for all responsible parties will be provided and follow up training will be done as necessary. Affirmation forms to certify enrollment/withdrawal documentation is correct and complete will be sent out quarterly. Increased levels of progressive discipline will also be implemented as necessary.

SECTION III – FEDERAL AWARD FINDINGS (Continued)

FA 2018-002 – Annual Report Card, High School Graduation Rate for Title I – Material Weakness and Noncompliance (Repeated and Modified) (Continued)

Responsible Officials: School Principal, School Registrars, District Records Specialist, Chief Academic Officer, Director of Accountability, Accountability Student Data Specialist, Information Operations Specialist, Superintendent. Full implementation is expected to be completed by June 30, 2020.

FA 2019-001 – Summary Schedule of Prior Year Findings – Other Noncompliance

Condition: The District had noted as part of the schedule of prior year audit evaluation that finding FA 2018-002 had been cleared by providing training to administrators and secretaries on withdrawal procedures. However, while training was provided to personnel involved, controls related to the retention of appropriate documentation were not functioning and appropriate documented was not retained therefore the finding was repeated for FY2019. The number of exceptions increased 23% from 25% to 48% respectively.

Federal Program Information:

Funding Agency: U.S. Department of Education

Title: Title I Grants to Local Education Agencies

CFDA Number: 84.010 Federal Award Identification number 24101

Pass Through Entity: New Mexico Public Education Department

Award Year: 2018-19

Criteria: 2 CFR 200.516 (a)(7) requires the auditor to report instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with § 200.511 Audit findings follow-up, paragraph (b) materially misrepresents the status of any prior audit finding.

Questioned costs: None

Effect: While training was provided to personnel involved, controls related to the retention of appropriate documentation were not functioning and appropriate documented was not retained therefore the finding was not cleared for FY2019.

Cause: The District's controls over the process were not fully implemented during the year ended June 30, 2019.

Auditor's Recommendation: The auditor recommends that the District verify and properly disclose the status of all prior year findings in the schedule of prior year audit evaluation.

Management Response: Prior to disclosing the status of prior year findings, additional examination will be taken to make sure the information is accurate and complete.

SECTION III – FEDERAL AWARD FINDINGS (Continued)

FA 2019-001 – Summary Schedule of Prior Year Findings – Other Noncompliance (Continued)

Current Status/Plan of Action: When providing information on the status of prior year findings in subsequent years, additional consideration will be given to determine the status of the finding. Full implementation is expected to be completed by June 30, 2020.

Responsible Officials: Chief Finance Officer

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

Primary Government

NM 2016-016 - Budgetary Conditions - Other noncompliance

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

Fund 31701 Capital Improvements SB-9 - support services	\$ 1,612
Fund 41000 Debt Service - support services	3,508

Progress on resolution of prior year finding: Prior year finding included over expending 14 funds at the function level of over \$898,245.00. This year there are two funds over expended at the function level for \$5,120.

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 two 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: Budget authority will be obtained by the board of education and PED for necessary budget adjustments between functions.

Current Status/Plan of Action: Budget authority is reviewed at the function level and budget authority will be requested as necessary. Full implementation is expected to be completed by June 30, 2020.

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

NM 2016-016 – Budgetary Conditions – Other noncompliance (Continued)

Responsible Officials: Chief Finance Officer

NM 2016-020 - Reporting - Noncompliance (Repeated and modified) (PY FA 2016-020)

Condition: Two out of four reports tested were submitted late. The first quarter report was due October 31, 2018 and submitted on November 2, 2018. The fourth quarter report was due July 31, 2019 and submitted August 1, 2019.

Progress on resolution of prior year finding: This year there were two late reports, one was late by two days and one was late by one day. FY18 included two late reports. One was late by one month and one was late by two weeks.

Criteria: Per 22-8-5 B NMSA 1978, all public schools and school districts shall comply with the rules and procedures prescribed and shall, upon request, submit additional reports concerning finances to the department, including an accounting of the costs of services related to providing a program included in the educational plan approved by the department. In addition, upon request, all public schools and school districts shall file reports with the department containing pertinent details regarding applications for federal money or federal grants-in-aid or regarding federal money or federal grants-in-aid received, including details of programs, matching funds, personnel requirements, salary provisions and program numbers, as indicated in the catalog of federal domestic assistance, of the federal funds applied for and of those received.

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: Reporting will be done timely and requests for extensions will be requested from PED if necessary.

Current Status/Plan of Action: As of November 15, 2019 all reports have been submitted on time, this is expected to continue through June 30, 2020.

Responsible Officials: Chief Finance Officer and Controller

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

NM 2019-001 – Travel and Per Diem – Other noncompliance

Condition: The District reimbursed an employees for 30 hours instead of the 27 hours actually traveled resulting in an over payment in the amount of \$8 in 1 out of 5 transaction tested.

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

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

Cause: The District reimbursed based on a form that incorrectly calculated the travel hours.

Auditors' Recommendation: We recommend the District require all employees to use the approved travel reimbursement forms and verify the calculations are correct using the Per Diem and Mileage Act rates before reimbursement are paid.

Management Response: The employee that was previously checking travel and per diem is no longer employed in the Finance Department. Training has been provided and continues for the two new employees that are responsible for paying for travel and per diem.

Current Status/Plan of Action: Training has been provided and is ongoing for Finance staff responsible for paying travel and per diem. Forms will be corrected to calculate the rates instead of relying on employees to calculate time / reimbursements. These forms will be protected and added to the forms on the Finance Department website for all employees to use the most recent form. Full implementation is expected to be completed by June 30, 2020.

Responsible Officials: Controller

NM 2019-002 - Cash Appropriation in Excess of Available Cash Balances - Other noncompliance

Condition: The District maintained a deficit budget in excess of available cash balances in the following fund functions:

	Desig	gnated Cash	В	eginning Year Cash & AR Available	Ар	Cash propriation in Excess of Available
Fund 29107 City Count Grants	\$	23,646	\$	-	\$	(23,646)
Fund 43000 Ed Tech Debt Service		194,816		191,434		(3,382)

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

NM 2019-002 - Cash Appropriation in Excess of Available Cash Balances - Other noncompliance (Continued)

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 deficits 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 these fund were missed in the process. The District 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.

Management Response: Available cash will be verified prior to requesting budget authority

Current Status/Plan of Action: End of the year cash balance estimates will be given additional review before requesting budget authority. Full implementation is expected to be completed by June 30, 2020.

Responsible Officials: Chief Finance Officer

Component Unit

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

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

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

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

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

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

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 (repeated and modified) (Continued)

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

Management Response: The Business Manager will ensure that Per Diem and Mileage Act is followed when reimbursements for travel are applicable. The Business Manager will ensure that receipts are maintained with any allowable reimbursement. The process implemented in January 2019 has resolved these issues, but tested transactions were selected from prior to January 2019.

Current Status/Plan of Action: Deming Cesar Chavez Charter High School will continue to utilize the approved policy and procedure for travel reimbursement with expense receipts. Full implementation is expected to be completed by June 30, 2020.

Responsible Officials: Director, Business Manager, Administrative Assistant

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

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

Fund and Function

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

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

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

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

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

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

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

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

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

Current Status/Plan of Action: The Business Manager has communicated with NM PED related to the budget status and issues with BAR approval. As of September 2019, a new budget analyst has been assigned to Deming Cesar Chavez Charter High School. The Business Manager will continue to communicate with the Executive Director of Finance for Deming Public Schools to ensure budget and BAR entry and approval. Full implementation is expected to be completed by June 30, 2020.

Responsible Officials: Business Manager

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

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

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

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

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

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

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

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

Responsible Official: Business Manager, Administrative Assistant

SECTION V – PRIOR YEAR FINDINGS

Primary Government

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

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

FA 2018-001 Suspension and Debarment (Significant Deficiency) – Resolved

FA 2018-002 Annual Report Card, High School Graduation Rate for Title I (Significant Deficiency and Noncompliance) – Repeated and modified

FA 2018-003 Noncompliant Meals (Noncompliance) – Resolved

NM 2016-003 PED Reporting (Material noncompliance) – Resolved

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

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

NM 2017-002 Annual Inventory Certification (Other noncompliance) – Resolved

NM 2018-001 Conflict of Interest (Other noncompliance) – Resolved

Component Unit

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

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

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

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

EXIT CONFERENCE

An exit conference was held on November 15, 2019. In attendance were the following:

Representing Deming Public Schools:

Arsenio Romero Superintendent Lesley Doyle Chief Finance Officer

Joe Adcock Controller
Bayne Anderson Board President

Terry Tufts Audit Committee Member

Representing Cesar Chavez High School Charter School:

Chris Masters Business Manager

Tony Guerrero Governing Council Member

Representing Carr, Riggs & Ingram, LLC:

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

AUDITOR PREPARED FINANCIAL STATEMENTS

Carr, Riggs & Ingram, LLC 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.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

Book-Entry-Only System

Initially, DTC will be the securities depository for the Bonds. The Paying Agent/Registrar will register all Bonds in the name of Cede & Co. (DTC's partnership nominee) and provide DTC with one Bond and one Note, respectively for each maturity.

DTC provided the following information. Neither the Municipal Advisor nor the District nor the Underwriter can vouch for its accuracy or completeness. For further information, please contact DTC.

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New Mexico and New York Uniform Commercial Codes, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of security certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

Purchases of the Bonds under the book-entry system may be made only through brokers and dealers who are, or act through, DTC Participants. Each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant's ownership interest in the Bonds. The ownership interest of each actual purchaser of a Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participant or the Indirect Participant. Beneficial Owners are to receive a written confirmation of their purchase providing certain details of the Bonds acquired. Transfers of ownership interests in the Bonds will be accomplished only by book entries made by DTC and, in turn, by DTC Participants or Indirect Participants who act on behalf of the Beneficial Owners. Beneficial Owners of the Bonds will not receive nor have the right to receive physical delivery of the Bonds and Notes, and will not be or be considered to be registered owners under the Bond Resolution and the Note Resolution except as specifically provided in the Bond Resolution in the event the book-entry system is discontinued.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

The District and the Paying Agent/Registrar may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the Bonds, selecting Bonds and portions thereof to be redeemed, giving any notice permitted or required to be given to registered owners under the Bond Resolution, register the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The District and the Paying Agent/Registrar will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC Participant, Indirect Participant or other person not shown on the records of the Paying Agent/Registrar as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Participant or Indirect Participant regarding ownership interests in the Bonds; the payment by DTC, any DTC Participant or Indirect Participant respect of the principal of or interest or premium, if any, on the Bonds; the delivery to any DTC Participant, Indirect Participant or any Beneficial Owner of any notice that is permitted or required to be given to registered owners under the Bond Resolution; or any consent given or other action taken by DTC as a registered owner.

Neither DTC nor its nominee, Cede & Co., provides consents with respect to any security. Under its usual procedures, DTC mails an omnibus proxy to the issuer of the securities for which it is acting as securities depository as soon as possible after the establishment of a "record date" by the issuer for purposes of soliciting consents from the holders of such securities. The omnibus proxy assigns Cede & Co.'s voting rights to those DTC Participants having such securities credited to their accounts on such record date.

Principal of and interest on the Bonds will be paid to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to

the Beneficial Owners of the Bonds is the responsibility of the DTC Participants or the Indirect Participants. Upon receipt of any such payments, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners of the Bonds and Notes will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory and regulatory requirements then in effect.

As long as the DTC book-entry system is used for the Bonds, the Registrar will give any notice required to be given to registered owners of Bonds only to DTC or its nominee. Any failure of DTC to advise any DTC Participant, of any DTC Participant to notify any Indirect Participant, or of any DTC Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of any action premised on such notice. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. Beneficial Owners may desire to make arrangements with a DTC Participant or Indirect Participant so that all communications to DTC that affect such Beneficial Owners will be forwarded in writing by such DTC Participant or Indirect Participant.

NEITHER THE DISTRICT NOR THE PAYING AGENT/REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS.

For every transfer and exchange of a beneficial ownership interest in the Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar at any time. In addition, if the District determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds or (ii) continuation of the system of book-entry only transfers through DTC is not in the best interests of the Beneficial Owners of the Bonds and Notes or of the District, the District may thereupon terminate the services of DTC with respect to the Bonds and Notes. If for any such reason the system of book-entry transfers through DTC is discontinued, the District may within 90 days thereafter appoint a substitute securities depository that, in its opinion, is willing and able to undertake the functions of DTC upon reasonable and customary terms. If a successor is not approved, Bond certificates will be delivered as described in the Bond Resolution and Note certificates will be delivered as described in the Note Resolution, each in fully registered form in denominations of \$5,000 or any integral multiple thereof in the names of the Beneficial Owners, Indirect Participants or DTC Participants.

In the event the book-entry system is discontinued, the persons to whom Bond and Note certificates are registered will be treated as registered owners for all purposes of the Bond Resolution and Note Resolution, including the giving to the District or the Paying Agent/Registrar of any notice, consent, request or demand pursuant to the Bond Resolution and the Note Resolution for any purpose whatsoever. In such event, the Bonds will be transferred to such registered owners, interest on the Bonds will be payable by check of the Paying Agent/Registrar, as paying agent, mailed to such registered owners, and the principal and redemption price of all Bonds will be payable at the principal corporate trust office of the Paying Agent/Registrar.

The foregoing material concerning DTC and DTC's book-entry system is based on information furnished by DTC. No representation is made by the District or the Underwriter as to the accuracy or completeness of such information.

Limited Book-Entry Responsibilities

While a book-entry-only system is used for the Bonds, the Paying Agent/Registrar will send redemption (relating only to the Bonds) and other notices only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any notice and its content or effect will not affect the validity of sufficiency of the proceedings relating to the Bond redemption or any other action based on the notice.

None of the District, the Financial Advisor or the Underwriter have any responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

None of the District, the Financial Advisor or the Underwriter can give any assurances that DTC will distribute payments to DTC Participants or that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominees as the holder or any redemption notices (relating only to the Bonds) or other notices to the beneficial holders, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

APPENDIX D

FORMS OF CO-BOND COUNSEL OPINION



JOHN F. MCCARTHY, JR.
M. KAREN KILGORE
SANDRA J. BRINCK
PATRICIA SALAZAR IVES
AARON J. WOLF
REBECCA DEMPSEY
JACQUELYN ARCHULETA-STAEHLIN
JULIE A. WITTENBERGER
PATRICK T. ORTIZ
CHARLES V. GARCIA
JAMES S. RUBIN
CHARLOTTE H. HETHERINGTON
R. DANIEL CASTILLE

CAROL S. HELMS K. STEPHEN ROYCE JULIE S. RIVERS YOUNG-JUN (JUN) ROH

SAM W. MINNER PAUL M. ROYBAL MARYANN T. ROMAN FRANCHESKA M. BARDACKE

> OF COUNSEL: JOHN F. KENNEDY HEATHER TRAVIS BOONE

REPLY TO SANTA FE OFFICE

, 2020

An opinion in substantially the following form will be delivered by Cuddy & McCarthy, LLP, Bond Counsel, upon delivery of the Bonds, assuming no material changes in facts or law.

DEMING PUBLIC SCHOOL DISTRICT NO. 1 DISTRICT NO. 1 GENERAL OBLIGATION SCHOOL BONDS SERIES 2020

We have acted as Co-Bond Counsel in connection with the issuance by the Deming Public School District No. 1, County of Luna, State of New Mexico ("Issuer"), of its General Obligation School Bonds, Series 2020 ("Bonds") in the aggregate principal amount of \$_______. We have examined those portions of the Constitution and laws of the State of New Mexico considered by us to be relevant to this opinion, we have reviewed certified copies of the proceedings of the Issuer and documents authorizing the release of the Bonds, including the form of Bond approved by the Issuer. We have acted as Co-Bond Counsel for the Issuer for the sole purpose of rendering an opinion with respect to the validity of the Bonds under the Constitution and laws of the State of New Mexico, as to which an opinion is rendered herein, and for no other reason or purpose.

We have not been engaged nor have we undertaken to review the accuracy, completeness, or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto. We have not been requested to investigate or verify, nor have we independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, and we have not assumed and do not assume any responsibility with respect thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that under existing law:

- 1. The Bonds have been authorized, issued, and delivered in accordance with the Constitution and laws of the State of New Mexico, and constitute valid and legally binding general obligations of the Issuer.
- 2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy



	, 2020
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the principal and interest coming due on the Bonds, to the extent the necessary funds are not provided from other sources.

- 3. The interest on the Bonds is excluded from net income for New Mexico State income tax purposes.
- 4. We express no opinion as to any federal tax consequences resulting from the ownership, carrying, or disposition of the Bonds, and in particular, no opinion is expressed as to the excludability of interest on the Bonds from the gross income of the holders, for federal tax purposes.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. Further, we express no opinion as to the federal, state, or local tax consequences arising from the enactment of any pending or future legislation.

We note that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Very truly yours,



[An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

\$_____ DEMING PUBLIC SCHOOL DISTRICT NO. 1 GENERAL OBLIGATION SCHOOL BONDS SERIES 2020

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement provided to us or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement), nor have we been requested to investigate or verify, nor have we independently investigated or verified any records, data or other material relating to the financial condition or capabilities of the Issuer and have not assumed any responsibility with respect thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been authorized, issued and delivered in accordance with the Constitution and laws of the State of New Mexico and constitute valid and legally binding general obligations of the Issuer.



- 2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.
- 3. Except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We further are of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under Section 57(a)(5) of the Code. In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

4. The interest on the Bonds is excluded from net income for New Mexico state income tax purposes.



It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,