OFFICIAL STATEMENT DATED JULY 28, 2016

$9,780,000 - General Obligation School Bonds, Series 2016A (the "Series 2016A Bonds")
$3,125,000 – General Obligation Refunding Bonds, Series 2016B (the "Series 2016B Bonds")

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

NEW ISSUE

Book-Entry Only

Moody's Rating: A2 Underlying/Aa1 Enhanced

PURPOSES

Proceeds of the Series 2016A Bonds will be used for the purpose of (1) erecting, remodeling, making additions to and furnishing school buildings, purchasing and improving school grounds and purchasing computer software and hardware for student use in public school classrooms, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of those purposes within the District and (2) paying costs of issuance with such bonds. Proceeds of the Series 2016B Bonds will be used for the purpose of (1) current refunding of the District's outstanding General Obligation School Building Bonds, Series 2007 (the "Refunded Bonds") and (2) paying costs of issuance of such 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, 2017. 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. (or successor) is the Registrar and Paying Agent for the Bonds.

OPTIONAL REDEMPTION

The Series 2016A Bonds are subject to redemption prior to maturity as provided herein.
The Series 2016B Bonds are not subject to redemption prior to maturity. See "THE BONDS – Optional Prior Redemption."

SECURITY

The Bonds are general obligations of the Deming School District No. 1, Luna County, New Mexico, 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 each series 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, as described under "Tax Matters" herein. See "Legal Matters" and "Tax Matters" herein for a discussion of Co-Bond Counsels' opinions. Delivery of the Series 2016A Bonds is subject to the delivery of an approving opinion of the Attorney General of the State of New Mexico. Delivery of the Series 2016B Bonds is also subject to the approval of the New Mexico Department of Finance and Administration.

DELIVERY

When, as and if issued, through DTC's facilities, on or about September 2, 2016.

DATED DATE

Date of initial delivery of the Bonds.

DUE DATE

August 1, as shown on the following page:

$9,780,000 - General Obligation School Bonds, Series 2016A									
				Cusip #s					Cusip #s
Year	Principal	Interest Rate	Yield	248094	Year	Principal	Interest Rate	Yield	248094
2017	$350,000	4.000%	0.700%	BH6	2024	$775,000	4.000%	1.550%	BQ6
2018	190,000	4.000%	0.780%	BJ2	2025	775,000	4.000%	1.610%	BR4
2019	690,000	4.000%	0.880%	BK9	2026	775,000	3.000%	1.710%	BS2
2020	775,000	4.000%	1.020%	BL7	2027	775,000	2.000%	2.000%	BT0
2021	775,000	4.000%	1.150%	BM5	2028	775,000	2.000%	2.143%	BU7
2022	775,000	4.000%	1.300%	BN3	2029	775,000	2.125%	2.259%	BV5
2023	775,000	4.000%	1.450%	BP8	2030	800,000	2.250%	2.356%	BW3

$3,125,000 - General Obligation Refunding Bonds, Series 2016B									
				Cusip #s					Cusip #s
Year	Principal	Interest Rate	Yield	248094	Year	Principal	Interest Rate	Yield	248094
2017	$1,040,000	5.000%	0.690%	BE3	2019	$950,000	5.000%	0.880%	BG8
2018	1,135,000	5.000%	0.780%	BF0					

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: Ron Wolf
Vice-President: John Sweetser
Secretary: William Bayne Anderson
Member: Dr. Francine Jacobs
Member: Matt Robinson

FINANCIAL 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. Daniel J. Lere
Associate Superintendent of Finance:
Theodore L. Burr

CO-BOND COUNSEL

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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

PURCHASER

Morgan Stanley & Co. LLC
One New York Plaza
New York, NY. 10004
(917) 260-5488

A Few Words About Official Statements

Official statements for municipal securities issues – like this one – contain the only "official" information about a particular issue of municipal securities. 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 not hard facts, 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.

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 just that – they 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 Financial Advisor as follows:

District	*Financial Advisor*
Deming Public School District	RBC Capital Markets, LLC
400 Cody Road	6301 Uptown Blvd. NE, Suite 110
Deming, New Mexico 88030	Albuquerque, NM 87110
Attn: Theodore Burr	Attn: Erik Harrigan

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

$9,780,000 - General Obligation School Bonds, Series 2016A (the "Series 2016A Bonds")
$3,125,000 - General Obligation Refunding Bonds, Series 2016B (the "Series 2016B Bonds")

INTRODUCTION

The Issuer

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 2015 assessed valuation is $550,629,304 and its 40th day enrollment for school year 2015-16 was 5,415. See "THE DISTRICT."

The Financial Advisor

The District has retained RBC Capital Markets, LLC as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial 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 Financial 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, 2015 contained in Appendix B, this Official Statement presents unaudited financial and statistical information from District records and other sources.

Underwriter

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

THE BONDS

Authority

New Mexico law enables the District to issue the Bonds including NMSA 1978, Sections 6-15-1 through 6-15-22. The New Mexico Attorney General will provide a written approving opinion with respect to the Series 2016A Bonds. The Series 2016B portion of the Bonds is also subject to the approval of the New Mexico Department of Finance and Administration.

General Terms

The Bonds will bear interest at the rates and mature in the amounts and on 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. 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.

Plan of Finance

Proceeds of the Series 2016A Bonds will be used for the purpose of (1) erecting, remodeling, making additions to and furnishing school buildings, purchasing and improving school grounds and purchasing computer software and hardware for student use in public school classrooms, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of those purposes within the District and (2) paying costs of issuance of the Series 2016A Bonds.

Proceeds of the Series 2016B Bonds will be used for (1) the current refunding of the District's General Obligation School Bonds, Series 2007 maturing on and after August 1, 2016 (the "Refunded Bonds"); and (2) paying the costs of issuance of the Series 2016B Bonds. The Series 2016B Bonds are being issued, in part, to lower the overall annual debt service requirements of the District and to take advantage of lower interest rates to achieve economic savings. The Refunded Bonds, maturing in the years 2017 through 2019, will be redeemed on September 2, 2016.

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 respective resolution authorizing each Series of the Bonds (collectively 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 each respective Series of the Bonds from any funds belonging to the District, which funds may be reimbursed from the ad valorem taxes when the same are collected.

Bond Registrar and Paying Agent

BOKF, N.A. (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 Series 2016A Bonds maturing on or after August 1, 2026 may be redeemed prior to their scheduled maturities on August 1, 2025, 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 the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

With respect to any optional redemption of the Series 2016A Bonds, unless certain prerequisites to such redemption have been met and moneys sufficient to pay the principal of and interest on the Series 2016A 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 Series 2016A 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 Series 2016A Bonds have not been redeemed.

The Series 2016B Bonds are not subject to redemption prior to maturity by the District.

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 affect the validity of the redemption for* Series 2016A *Bonds which notice was properly given.* No transfer of Series 2016A Bonds called for redemption shall be made within 45 days of the date of redemption.

While the Series 2016A 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 Series 2016A 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 Series 2016A 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 Series 2016A Bonds, then on the redemption date the Series 2016A Bonds called for redemption will become due and payable. Thereafter, no interest will accrue on those Series 2016A Bonds, and their owners' only right will be to receive payment of the redemption price upon surrender of those Series 2016A 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 Series 2016A 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 Series 2016A 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

General. 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. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Resolution when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (1) 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 (2) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible entity for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure 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 or an eligible entity for the payment of its services until after all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues levied and pledged as provided in the Bond Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Resolution. Any money so deposited with the Paying Agent/Registrar or an eligible entity may at the discretion of the District also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Bond Resolution, and all income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank that 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.

Investments. Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or an eligible entity pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District.

For the purposes of these provisions, "Defeasance Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

SOURCES AND USES OF FUNDS

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

Sources		Series 2016A	Series 2016B	Total
	Par Amount of Bonds	$9,780,000.00	$3,125,000.00	$12,905,000.00
	Premium	868,951.85	243,904.60	1,112,856.45
	Total	**$10,648,951.85**	**$3,368,904.60**	**$14,017,856.45**
Uses				
	Project Fund	$10,500,000.00		$10,500,000.00
	Refunding Escrow Deposit		$3,310,324.72	3,310,324.72
	Costs of Issuance	74,330.68	54,419.32	128,750.00
	Underwriter's Discount	72,610.63	2,211.88	74,822.51
	Debt Service Fund	2,010.54	1,948.68	3,959.22
	Total	**$10,648,951.85**	**$3,368,904.60**	**$14,017,856.45**

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 District must use all of the property taxes collected for debt service, and any other legally available money, to pay the debt service on the Bonds and other outstanding general obligation debt.

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.

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, § § 22-18-1 et. seq. in the first session of 2003 by adding § 22-18-13 which became effective July 1, 2003. Section 22-18-13 was further amended in 2007 and provides that, if the 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.

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.

The rating for the New Mexico School District Enhancement Program is Aa1 with a stable outlook.

By request, Moody's will assign the Aa1 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 New Mexico School District Enhancement Program.

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 Series 2016B Bonds are refunding Bonds.

The assessed valuation of taxable property within the District is $550,629,304 for tax year 2015. Therefore, the maximum general obligation debt may not exceed $33,037,758.

After the Bonds are issued, the ratio of total outstanding net general obligation debt of the District to the 2015 assessed valuation will be no greater than 4.84% as summarized:

2015 Assessed Valuation	$550,629,304
2015 Estimated Actual Valuation (1)	$1,908,716,811
Bonded Debt	
Current Total Outstanding (Including the Bonds)	$28,885,000 (2)
Less Debt Service Fund Balance (3)	2,214,641
NET DEBT	$26,670,359
Ratio of Estimated Net Debt to 2015 Assessed Valuation:	4.84%
Ratio of Estimated Net Debt to 2015 Estimated Actual Valuation:	1.40%
Per Capita Net Bonded Debt:	$984.15
Est. Population:	27,100

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

(2) Excludes the Refunded Bonds. Outstanding as of 8/23/2016

(3) The cash balance as of June 15, 2016 was $2,943,223.14. The amount properly attributable to principal reduction is 73.48%.

Selected Debt Ratios

	2015 Tax Year
2015 Assessed Valuation	$550,629,304
2015 Estimated Actual Valuation (1)	$1,908,716,811
District General Obligation	
Debt Outstanding (Including the Bonds)	28,885,000 (2)
District Net General Obligation Debt	$26,670,359
District Net Debt as a Percentage of	
Assessed Valuation	4.84%
Estimated Actual Valuation	1.40%
Estimated Direct & Overlapping G/O Debt	$32,554,450
Direct & Overlapping Debt as a Percentage of	
Assessed Valuation	5.91%
Estimated Actual Valuation	1.71%
Estimated Population	27,100
District Net Debt Per Capita	$984.15
Direct & Overlapping Debt Per Capita	$1,201.27

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

(2) Excludes the Refunded Bonds. Amount outstanding as of 8/23/2016

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 as of 8/23/2016
2007	$6,000,000	01-Aug-19	$0 (1)
2014	9,500,000	01-Aug-28	7,700,000
2015	9,480,000	01-Aug-29	8,280,000
2016A	9,780,000	01-Aug-30	9,780,000
2016B	3,125,000	01-Aug-19	3,125,000
	$37,885,000		**$28,885,000**

(1) After refunding.

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 and computed at the desired tax rate. Below is a summary of the currently scheduled principal and interest on the District's outstanding debt as well as the principal and interest payments on the Bonds.

	Current Requirements [1]			Series 2016A Bonds			Series 2016B Bonds			Total Requirements		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	$1,100,000	$380,350	$1,480,350	$350,000	$296,026	$646,026	$1,040,000	$142,795	$1,182,795	$2,490,000	$819,171	$3,309,171
2018	1,250,000	357,600	1,607,600	190,000	309,919	499,919	1,135,000	104,250	1,239,250	2,575,000	771,769	3,346,769
2019	930,000	332,100	1,262,100	690,000	302,319	992,319	950,000	47,500	997,500	2,570,000	681,919	3,251,919
2020	1,450,000	313,125	1,763,125	775,000	274,719	1,049,719				2,225,000	587,844	2,812,844
2021	1,250,000	282,875	1,532,875	775,000	243,719	1,018,719				2,025,000	526,594	2,551,594
2022	1,300,000	256,250	1,556,250	775,000	212,719	987,719				2,075,000	468,969	2,543,969
2023	1,200,000	225,500	1,425,500	775,000	181,719	956,719				1,975,000	407,219	2,382,219
2024	1,350,000	197,000	1,547,000	775,000	150,719	925,719				2,125,000	347,719	2,472,719
2025	1,450,000	165,125	1,615,125	775,000	119,719	894,719				2,225,000	284,844	2,509,844
2026	1,500,000	129,500	1,629,500	775,000	88,719	863,719				2,275,000	218,219	2,493,219
2027	1,400,000	91,000	1,491,000	775,000	65,469	840,469				2,175,000	156,469	2,331,469
2028	1,400,000	54,000	1,454,000	775,000	49,969	824,969				2,175,000	103,969	2,278,969
2029	400,000	14,000	414,000	775,000	34,469	809,469				1,175,000	48,469	1,223,469
2030				800,000	18,000	818,000				800,000	18,000	818,000
	$15,980,000	**$2,798,425**	**$18,778,425**	**$9,780,000**	**$2,348,201**	**$12,128,201**	**$3,125,000**	**$294,545**	**$3,419,545**	**$28,885,000**	**$5,441,171**	**$34,326,171**

(1) Does not include the Refunded Bonds.

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.

	2015 Assessed Value	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico	$58,412,964,620	$389,270,000	0.94%	$3,669,450
Luna County	550,629,304	-	100.00%	-
City of Deming	245,195,401	-	100.00%	-
Village of Columbus	14,243,177	-	100.00%	-
Deming Public Schools	550,629,304	28,885,000 [1]	100.00%	28,885,000
Total Direct & Overlapping				**$32,554,450**

(1) Does not include the refunded bonds.

Ratio of Estimated Direct & Overlapping Debt to 2015 Assessed Valuation:	5.91%
Ratio of Direct & Overlapping Debt to 2015 Estimated Actual Valuation:	1.71%
Per Capita Direct & Overlapping Debt:	$1,201.27
Population:	27,100

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 2015 assessed valuation is $550,629,304. 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 2015 and the previous four years follows.

	2011	2012	2013	2014	2015	2016*
Assessments						
Value of Land	$110,363,230	$111,470,346	$114,257,696	$114,778,324	$118,682,805	
Improvements	301,726,390	306,903,549	310,129,150	312,227,011	317,823,711	
Personal Property	17,679,732	17,656,679	22,977,094	26,113,237	18,046,112	
Mobile Homes	27,466,389	28,007,337	28,370,417	28,865,930	28,773,488	
Livestock	6,986,333	8,234,298	8,434,244	7,641,461	10,948,912	
Assessor's Total Value	**464,222,074**	**472,272,209**	**484,168,601**	**489,625,963**	**494,275,028**	**-**
Less Exemptions						
Head of Family	9,154,415	9,155,140	9,139,854	8,829,696	8,779,375	
Veterans	4,870,069	4,783,329	4,721,929	4,392,389	4,255,734	
Other	69,627,996	73,071,504	71,540,911	71,868,545	72,574,524	
Total Exemptions	**83,652,480**	**87,009,973**	**85,402,694**	**85,090,630**	**85,609,633**	**-**
Assessors Net Valuation	380,569,594	385,262,236	398,765,907	404,535,333	408,665,395	395,081,008
Central Assessed	129,087,914	135,010,387	140,371,897	146,047,423	141,963,909	161,496,326
Total Assessed Valuation	**$509,657,508**	**$520,272,623**	**$539,137,804**	**$550,582,756**	**$550,629,304**	**$556,577,334**
Residential	$231,812,000	$234,099,234	$237,356,131	$240,022,715	$243,299,437	$237,167,912
Non-Residential	277,845,508	286,173,389	301,781,673	310,560,041	307,329,867	319,409,422
	$509,657,508	**$520,272,623**	**$539,137,804**	**$550,582,756**	**$550,629,304**	**$556,577,334**

** Preliminary*

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 2015 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 25.1% of the District's total 2015 assessed value.

Taxpayer	Business	2015 Assessed Valuation	% of District A.V.
Union Pacific	Railway	$36,242,126	6.6%
Public Service Company of NM	Utility	30,110,393	5.5%
El Paso Natural Gas Co.	Pipeline	18,976,908	3.4%
Tucson Electric	Electric Generation	16,421,883	3.0%
BN & SF	Railway	10,905,534	2.0%
SFPPLP	Pipeline	10,223,945	1.9%
El Paso Electric Co.	Utility	4,707,633	0.9%
Columbus Electric Co-op	Utility	4,304,207	0.8%
Caballo Dairy	Retail	3,536,000	0.6%
Wal-Mart Stores East LTD	Retail	2,789,162	0.5%
Total		**$138,217,791**	**25.1%**
District's 2015 Assessed Valuation		550,629,304	

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 2011 tax year (2010-11 fiscal year). The Two Mill Levy, a capital improvements tax imposition, is renewed every six years, most recently in February 2013.

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

Tax Year	Operational		Two Mill Levy		G/O Bonds	Ed Tech Notes	Total Debt Service	Total	
	Resid.	Non-Resid.	Resid.	Non-Resid.				Resid.	Non-Resid.
2011	0.472	0.500	1.976	2.000	3.405	2.204	5.609	8.057	8.109
2012	0.484	0.500	2.000	2.000	3.356	2.220	5.576	8.060	8.076
2013	0.492	0.493	2.000	2.000	3.378	2.533	5.911	8.403	8.404
2014	0.495	0.484	2.000	1.965	5.792	-	5.792	8.287	8.241
2015	0.498	0.500	2.000	2.000	6.234	-	6.234	8.732	8.734

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 2015 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

	2015	2014	2013	2012	2011
State of New Mexico	0.000	0.000	0.000	0.000	0.000
Luna County	9.931	9.874	9.809	9.651	9.409
City of Deming	4.418	4.389	4.317	2.736	2.653
Deming Schools	0.498	0.495	0.492	0.484	0.472
Total	**14.847**	**14.758**	**14.618**	**12.871**	**12.534**
Over 20 Mill Limit - Interest, Principal, Judgement, etc.					
State of New Mexico	1.360	1.360	1.360	1.360	1.362
Luna County	0.000	0.000	0.000	0.000	0.000
City of Deming	0.000	0.000	0.000	0.000	0.000
Deming Schools	8.234	7.792	7.911	7.576	7.585
Total	**9.594**	**9.152**	**9.271**	**8.936**	**8.947**
Total Levy					
State of New Mexico	1.360	1.360	1.360	1.360	1.362
Luna County	9.931	9.874	9.809	9.651	9.409
City of Deming	4.418	4.389	4.317	2.736	2.653
Deming Schools	8.732	8.287	8.403	8.060	8.057
Total Residential - Deming	**24.441**	**23.910**	**23.889**	**21.807**	**21.481**
Total Non-Residential - Deming	26.419	25.445	25.921	24.261	24.297
Total Residential - Columbus	23.647	23.228	23.349	22.773	22.496
Total Non-Residential - Columbus	28.989	28.255	28.541	27.917	28.694

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

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 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.*

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.

NMSA 1978, 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.

   On March 28, 2012, the New Mexico Court of Appeals upheld the constitutionality of a law capping residential valuation increases until a home changes ownership. This decision was appealed to the New Mexico Supreme Court. The Supreme Court affirmed this decision on June 30, 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. 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.

NMSA 1978, 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 NMSA 1978, 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.

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
2015	15/16	$14,203,984	$12,757,183	89.81%	$12,757,183	89.81%
2014	14/15	13,302,688	12,064,149	90.69%	12,584,278	94.60%
2013	13/14	12,319,797	11,183,706	90.78%	11,918,268	96.74%
2012	12/13	12,009,566	10,948,175	91.16%	11,676,638	97.23%
2011	11/12	11,543,417	10,503,703	90.99%	11,392,875	98.70%
2010	10/11	11,041,769	10,028,129	90.82%	10,833,409	98.11%

(1) Current collections through June 30 of each year except for FY 2015/16

(2) As of May 2016

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.

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.

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, one middle school, one intermediate school, one high school 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 District Board (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 every two years on the first Tuesday in February. The District Board Members are:

<u>Ron Wolf</u>, President
term expires March 1, 2017

<u>John Sweetser</u>, Vice President;
term expires March 1, 2017

<u>William Bayne Anderson,</u> Secretary,
term expires March 1, 2019

<u>Dr. Francine Jacobs</u>, Member;
term expires March 1, 2019

<u>Matt Robinson,</u> Member;
term expires March 1, 2019

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

Dr. Daniel J. Lere, Superintendent of Schools

Theodore L. Burr, Associate Superintendent of Finance

Insurance

The District is a member of the New Mexico State Public School 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 to the District 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

The District's enrollment has increased 2.89% over the 2014-15 school year. Set forth below is the District's enrollment for the school years 2011-12 through 2015-16 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".

School Year	Enrollment	% Change Over Previous Year
2011-12	5,259	1.39%
2012-13	5,268	0.17%
2013-14	5,187	-1.54%
2014-15	5,263	1.47%
2015-16	5,415	2.89%

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 2014, the District received $711,930 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 2014, the District received $224,911 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 2014, the District received $37,488,936 from state sources. Such payments represented approximately 98% of actual fiscal year 2014 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
3. Size adjustment units that recognize local school and community needs, economies of scale, types of students, marginal costs 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, the 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:

Year	Program Unit Factor	Amount
2011-2012	3,585.97	35,034,020
2012-2013	3,668.18	35,493,665
2013-2014	3,817.55	36,713,081
2014-2015	4,005.75	38,552,856
2015-2016	4,027.75	38,005,575

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 2014, the District received $224,911 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 2014 the District received $2,300,550 for transportation purposes.

Balance Sheet

Listed below is the Balance Sheet (General Fund only) for fiscal years 2011 through 2015. See financial statements for the fiscal year ending June 30, 2015 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2015 and the last four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit_reports.

BALANCE SHEET - GENERAL FUND [1]

Year Ending June 30	2011	2012	2013	2014	2015
Assets:					
Cash & investments	$4,756,812	$3,873,557	$4,155,090	$2,844,052	$2,676,479
Receivables	22,675	21,462	17,346	21,438	21,611
Due from Other Funds	271,331	724,969	173,747	161,300	208,580
Due from Other Governments	242,724	298,117	58,204	-	-
Inventory	231,552	234,807	216,903	197,730	222,290
TOTAL	$5,525,094	$5,152,912	$4,621,290	$3,224,520	$3,128,960
Liabilities:					
Accounts Payable	236,542	360,224	338,040	407,921	247,097
Interfund Payable	4,408	4,408	5,564	5,564	5,564
Deferred Revenues	16,259	14,064	10,462	16,131	14,647
TOTAL	257,209	378,696	354,066	429,616	267,308
Fund Equity:					
Reserved for inventory	231,552	234,807	216,903	197,730	222,290
Restricted	-	-	-	-	171,356
Undesignated	5,036,333	4,539,409	4,050,321	2,597,174	2,468,006
TOTAL	5,267,885	4,774,216	4,267,224	2,794,904	2,861,652
Total Liabilities and Fund Equity	$5,525,094	$5,152,912	$4,621,290	$3,224,520	$3,128,960

(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, 2015 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 2011 through 2015. See financial statements for the fiscal year ending June 30, 2015 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2015 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	2011	2012	2013	2014	2015
Revenues:					
Property Taxes	$235,332	$249,958	$252,356	$258,798	$269,700
Fees and Charges	488,214	336,374	485,828	437,630	374,270
State Sources	35,833,956	36,863,025	37,093,732	37,488,936	39,862,487
Federal Sources	421,067	301,631	230,000	224,911	297,966
Investment Earnings	7,804	5,904	4,470	4,081	2,975
Miscellaneous	35,674	35,121	112,144	11,421	137,205
Total Revenues	$37,022,047	$37,792,013	$38,178,530	$38,425,777	$40,944,603
Expenditures:					
Instruction	$19,054,147	$21,440,084	$22,072,728	$22,768,683	$23,406,866
Support Services - Students	3,367,425	3,191,510	3,188,988	3,503,868	3,742,104
Support Services - Instruction	733,028	808,727	492,506	1,082,943	1,293,708
Support Services - General Administration	1,121,095	1,201,878	1,279,353	1,055,511	1,023,821
Support Services - School Administration	2,354,915	2,530,628	2,462,580	2,384,598	2,457,859
Central Services	1,518,197	1,425,715	1,358,073	1,137,495	1,013,572
Operation & Maintenance of Plant	5,343,994	5,499,465	5,538,012	5,600,436	5,669,075
Student Transportation	2,015,608	2,088,213	2,176,328	2,300,550	2,243,887
Other Support Services	14,341	22,002	75,186	64,013	26,963
Capital Outlay	41,936	77,460	41,768	-	-
Total	$35,564,686	$38,285,682	$38,685,522	$39,898,097	$40,877,855
Excess revenues over expenditures	$1,457,361	($493,669)	($506,992)	($1,472,320)	$66,748
Fund Balance Beginning of Year	3,810,524	5,267,885	4,774,216	4,267,224	2,794,904
Transfers/Refunds/Adjustments	-	-	-	-	-
Fund Balance at End of Year	$5,267,885	$4,774,216	$4,267,224	$2,794,904	$2,861,652

(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, 2015 is attached as Appendix B.

Note: In the years immediately prior to 2012, the District had increased its General Fund balance to $5,267,885 or approximately 14.8% of expenditures in anticipation of the need to eventually draw on those increased funds. In the years 2012 through 2014, the District has been reducing its General Fund balance as shown in the audited figures above. The District has further indicated that it expects to incur additional deficits for fiscal years ending 2015 and 2016 before reaching a General Fund balance of 5% of expenditures. The District also notes that it has a fund balance of $2.4 million in its Cafeteria Fund (see page 77 of the 2014 Audited Financial Statements) that is legally available to transfer into the General Fund in case of emergencies.

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 criteria that identify 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 any 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.

Retirement Plan

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.

Funding Policy

The contribution requirements of defined benefit plan members and the Deming Public Schools 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, 2014, employers contributed 13.15% 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 10.10% of their gross annual salary. For fiscal year ended June 30, 2015, employers contributed 13.90% and employees earning $20,000 or less continued to contribute 7.9% and employees earning more than $20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Deming Public Schools were $3,869,274 for the year ended June 30, 2015. The District's contribution requirements for the fiscal years ending June 30, 2014, 2013, and 2012 were $6,225,914, $5,471,646, and $5,587,272, respectively.

Recent Legislative Changes

Recent legislative changes enacted during the 2009, 2010, 2011, 2012 and 2013 legislative sessions also amended various provisions of the ERA, to improve the long-term stability of the fund. Senate Bill 115 (Chapter 61, Laws 2013) ("SB-115") below is the most recent legislative action.

Senate Bill 115 ("SB-115") amends the ERA. The law increases employee contributions for members whose salary exceeds $20,000 per year to 10.1% in fiscal year 2014 and 10.7% beginning in fiscal year 2014; keeps in place scheduled increases in employer contribution rates; creates a new tier membership for persons who become members of the ERB fund on or after July 1, 2013; creates certain actuarial limitations on benefits of new tier members; places limitations on future cost of living adjustments ("COLA") for current and future retirees which are tied to the future funded ratios of the plan; and makes certain other clarifying and technical changes. The projected actuarial funded ratio in 2043 with changes made by SB-115 is 100.7%.

In July 2012, the ERB adopted goals of achieving a 95%, plus or minus 5%, funded ratio by 2040. The amendments to the ERA made through enactment of SB-115 are intended to assist the ERB in achieving these goals.

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.

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the Deming Public Schools reported a liability of $56,421,681 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, 2014. The contribution amounts were defined by NMSA 1978, Section 22-11-21. At June 30, 2014, the District's proportion was .98886%, which was a decrease of .0142 percent from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the Deming Public Schools recognized pension expense of $3,676,392.

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
2011	$308,367,952	$247,407,988	$9,642,229,673
2012	253,845,277	289,852,094	9,606,304,017
2013	299,657,530	248,785,187	10,358,058,861
2014	362,462,537	268,693,991	11,442,171,449
2015	395,129,621	294,560,840	11,642,543,051

Source: New Mexico Educational Retirement Board, Financial Report

Post-Employment Benefits

The Retiree Health Care Act created the Retiree Healthcare Fund ("Fund"), administered by the New Mexico Retiree Health Care Authority ("NMRHCA"), for the purpose of providing eligible retirees, their spouses and dependents, and surviving spouses and dependents with healthcare insurance. Payments are made to the Fund on a pay-as-you-go basis by eligible employers and eligible retirees.

Each participating employer, including the District, makes contributions to the Fund in the amount of 2.00% of each participating employee's annual salary for fiscal year ending June 30, 2013, and subsequent periods. Similarly, contributions for participating employees who are not members of the enhanced retirement plan will be 1.0% for fiscal year ending June 30, 2013, and subsequent periods. Contributions for participating employees who are members of the enhanced retirement plan will be 1.25% for fiscal year ending June 30, 2013, and subsequent periods. The NMRHCA issues a separate, publicly available audited financial report, and it may be requested by writing to the NMRHCA, 4308 Carlisle NE, Albuquerque, NM 87107.

The Deming Public Schools contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were $555,879, $545,131, and $549,154, respectively, which equal the required contributions for each year.

Based on the Governmental Accounting Standards Board ("GASB") Statement 43 valuation for the fiscal year ended June 30, 2006, and assuming that the Fund is an equivalent arrangement to an irrevocable trust and then using a discount rate of 5.0%, the unfunded actuarial accrued liability ("UAAL") has been calculated to be approximately $4.1 billion. As required by GASB Statement 43, this calculation takes into consideration only current assets of the Fund. The Legislative Council, the Legislative Finance Committee, the Governor and the NMRHCA, as required by statute, established a working group that, among other things, examined the options to improve the actuarial soundness of the Fund and reported its findings to the Governor, the New Mexico Legislative Council, the Legislative Finance Committee and the NMRHCA.

Recent actions by the NMRHCA improved its financial outlook. As recently as January 2008, the Fund was projected to be insolvent by June 2014. The NMRHCA recently increased premiums paid by retirees in response to recommendations from the Legislature in 2008. These actions increased the projected solvency period to approximately June 2020. The NMRHCA also established as policy that premium increases going forward should track medical trend increases. In the past, premium increases were substantially lower than medical inflation, which was a leading contributor to declining solvency. Under current law, the District is not responsible for any future deficiencies in the Fund.

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 opinions rendered by McCall, Parkhurst & Horton L.L.P. represent its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. The opinions rendered by McCall, Parkhurst & Horton L.L.P. are 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.

Interest on the Bonds will be includable as an adjustment for “adjusted current earnings” to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

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

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 specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”). This information will be publicly available on the MSRB’s website at www.emma.msrb.org.

Annual Reports

The District will provide annually 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 this Official Statement under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS", "TAX BASE", "THE DISTRICT - Enrollment" and "FINANCES OF THE EDUCATIONAL PROGRAM - State Equalization Guarantee Program, Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances" and "Appendix B." The District will update and provide this information March 31 of each fiscal beginning in 2017.

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 the required time. 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 shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: 1) Principal and interest payment delinquencies; 2) Non-payment related defaults, if material within the meaning of the federal securities laws; 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-exempt status of the Bonds or the Lease, or other events affecting the tax-exempt status of the Bonds; 7) Modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws; 8) Bond calls, if material within the meaning of the federal securities laws; 9) Defeasances; 10) Release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws; 11) Rating changes; 12) tender offers; 13) Bankruptcy, insolvency, receivership or similar event of the District; 14) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material within the meaning of the federal securities laws; and 15) Appointment of a successor or additional trustee or the change of name of a trustee, if material with the meaning of the federal securities laws.

In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

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.

The address of the MSRB is 1900 Duke Street, Suite 6000, Alexandria, Virginia 22314 and its telephone number is (703) 797-6600.

Limitations and Amendments

The District has agreed to update information and to provide notices of material 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.

This 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 this 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 was notified on May 9, 2014 that its rating was downgraded to A2 by Moody's Investor Service. The appropriate "event notices" were not filed until July 24, 2014. Except for this instance, during the past five years the District has made continuing disclosure agreements in accordance with SEC Rule 15c2-12 and is in material compliance with such agreements.

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.

RATINGS

Moody's Investors Service has assigned the Bonds a rating of ‘Aa1’ 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.

LEGAL MATTERS

The written approval of the New Mexico Attorney General for the Series 2016A Bonds as to form and legality will be supplied. The Series 2016B Bonds are also subject to the approval of the New Mexico Department of Finance and Administration. In addition, the legality of the Bonds will be approved by Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P. Austin, Texas, as Co-Bond Counsel, whose unqualified opinion approving the legality of the Bonds will be furnished to the successful bidder at no cost to the successful bidder.

In connection with the transactions described in this Official Statement, Co-Bond Counsel represents the District. The fee to be paid to Co-Bond Counsel 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.

DISCLOSURE CERTIFICATE

The final certificates included in the transcript of legal proceedings will include the following: At closing, the Superintendent or Director of Finance will sign a certificate stating, after reasonable investigation, that to the best of his knowledge (a) no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, is pending, or, to the best of his knowledge, threatened in any way contesting the completeness or accuracy of the Final Official Statement, (b) the Final Official Statement, as it pertains to the District and the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (c) no event affecting the District has occurred since the date of the Final Official Statement, which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; provided, however, that the District does not make any representation concerning the pricing information contained in the Final Official Statement.

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.

OTHER MATTERS

It is noted that the Gallup-McKinley County School District, the Moriarty-Edgewood School District and the Santa Fe Public School District are co-plaintiffs with parents of school age students in the state court case captioned *Wilhelmina Yazzie, et al. v. The State of New Mexico, et al.,* No. D-101-CV-2014-02224. The suit was filed on October 7, 2014 in the First Judicial District, Santa Fe County. It seeks a declaratory judgment that the State and Hanna Skandera, the Secretary of the New Mexico Public Education Department, have failed to provide a uniform system of free public schools sufficient for the education of all school age children as required by the Constitution of the State of New Mexico. The Complaint also seeks injunctive relief enjoining the State and PED to develop and implement a public school budget that will provide constitutionally sufficient funding and to ensure that the funding is equitably distributed so as to provide all school children with a sufficient and uniform education. If the plaintiffs are ultimately granted the relief requested, it is possible that the present funding levels for school district operating budgets could be adjusted. In addition, the present State Equalization Guarantee for allocation among school districts of appropriations by the legislature for general operations may be altered. Based on the present claims pled, it is not anticipated that a final judgment would have a material impact on the assessed values of properties subject to taxation in the District or in other school districts or on the validity of public school debt presently outstanding or to be issued under current law.

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.

/s/____
President, Board of Education

/s/____
Secretary, Board of Education

APPENDIX A

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.

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	1,826,280
2010	14,855	25,095	2,065,826
2015*	14,522	24,518	2,085,572
2016(1)	14,075	24,472	2,088,585
2021(1)	13,597	24,154	2,111,960
Projected Growth 2016-2021 (2)	-3.40%	-1.30%	1.12%

**Estimates. Source: U.S. Census Bureau: State and County QuickFacts. Last Revised: March -2015*

(1) Estimates. Source: The Nielsen Company, March 2016

(2) Projected. Source: The Nielsen Company, March 2016

Age Distribution

The following table sets forth the 2016 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	26.1%	25.5%	24.19%	22.97%
18 - 24	9.8%	9.5%	9.87%	9.84%
25 - 34	12.3%	11.33%	13.26%	13.35%
35 - 44	10.0%	9.74%	11.84%	12.63%
45 - 54	10.7%	10.85%	12.20%	13.33%
55 and Older	31.2%	33.0%	28.6%	27.9%

Source: The Nielsen Company, May 2016

Effective Buying Income

Effective Buying Income Group	City of Deming	Luna County	State of New Mexico	United States
Under $25,000	41.4%	40.3%	29.2%	22.7%
$25,000 - 34,999	14.8%	15.3%	11.2%	10.0%
$35,000 - 49,999	15.3%	15.6%	13.9%	13.4%
$50,000 - $74,999	14.6%	14.9%	17.2%	17.6%
$75,000 & Over	14.0%	13.8%	28.6%	36.3%
2013 Est. Median Household Income	$26,172	$28,040	$43,273	$49,297
2014 Est. Median Household Income	$25,526	$27,268	$44,292	$51,579
2015 Est. Median Household Income	$30,839	$31,787	$45,633	$53,706
2016 Est. Median Household Income	$30,841	$31,337	$45,445	$55,551

Source: The Nielsen Company, May 2016

Employment

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

Year[(1)]	Luna County		State of New Mexico		United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2006	12,566	10.80%	928,094	4.20%	4.60%
2007	12,323	10.10%	934,027	3.80%	4.60%
2008	12,315	12.10%	944,548	4.50%	5.80%
2009	12,332	17.50%	940,352	7.50%	9.30%
2010	12,436	20.50%	936,088	8.10%	9.60%
2011	10,844	20.50%	929,862	7.60%	8.90%
2012	10,931	20.20%	928,050	7.10%	8.10%
2013	10,878	19.20%	922,960	6.90%	7.40%
2014	10,646	18.00%	918,206	6.50%	6.20%
2015	10,817	17.60%	919,889	6.60%	5.30%
2016 [(2)]	10,093	15.60%	916,249	5.80%	4.70%

(1) Numbers are annual averages.

(2) Data for the month of April 2016. Numbers are Preliminary.

Source: U.S. Bureau of Labor Statistics, May 2016.

Crops and Livestock Cash Receipts

Year	Crops	Livestock	Total Agriculture
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
2008	17,512	46,573	64,085
2007	17,764	54,765	72,529
2006	16,681	47,758	64,439
2005	20,234	57,741	77,975

Source: USDA's National Agricultural Statistics Service New Mexico Field Office. Annual Statistical Bulletin

http://www.nass.usda.gov/Statistics_by_State/New_Mexico/Publications/Annual_Statistical_Bulletin/

Major Employers

Following is a list of major employers in Luna County.

Major Employers - Luna County	
Deming Public Schools	752
Homeland Security (Border Patrol)	396
Wal-Mart Supercenter	330
Mimbres Memorial Hospital	299
New Mexico Department of Transportation Dist. I	258
County of Luna	230
City of Deming	195
Mizkan Americas, LLC (non-seasonal)	180
Pepper’s Supermarket	156
Solitaire Homes	100

Source: Deming Chamber of Commerce

Total Reported Gross Receipts

Calendar	City of Deming		Luna County	
Year	Retail	Total	Retail	Total
2015	205,132,313	537,610,807	241,133,297	649,616,878
2014	183,966,783	486,561,621	228,847,845	887,198,254
2013	183,813,773	484,851,208	226,883,029	641,017,946
2012	182,616,269	491,387,261	207,192,745	651,778,329
2011	185,324,812	511,290,478	200,416,480	698,704,301
2010	168,537,697	510,179,126	186,256,817	652,189,748
2009	161,423,056	494,699,827	177,421,273	634,015,030
2008	172,086,006	511,929,617	187,483,151	697,595,270
2007	181,480,970	465,720,240	199,471,351	664,244,521
2006	164,731,777	384,085,071	176,217,962	673,417,223

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).

Average Annual Employment (Covered Wage and Salary Workers) By Sector

LUNA COUNTY, NEW MEXICO

	2011	2012	2013	2014	2015[(1)]
Grand Total	7,666	7,640	7,681	7,851	7,595
Total Private	5,472	5,481	5,569	5,771	5,488
Accommodation and Food Services	720	714	722	832	752
Administrative and Waste Services	52	58	75	78	70
Agriculture, Forestry, Fishing & Hunting	733	763	697	848	593
Arts, Entertainment, and Recreation	87	81	87	95	45
Construction	167	216	227	234	240
Educational Services	*	*	*	*	*
Finance and Insurance	102	103	107	111	120
Health Care and Social Assistance	784	824	916	905	994
Information	*	*	*	*	*
Manufacturing	975	948	924	879	929
Mining	*	*	*	15	16
Other Services, Ex. Public Admin	100	88	84	79	79
Professional and Technical Services	155	142	135	153	114
Real Estate and Rental and Leasing	65	62	57	58	56
Retail Trade	1,165	1,142	1,150	1,125	1,122
Transportation and Warehousing	147	141	169	144	169
Utilities	*	*	45	48	57
Wholesale Trade	123	108	121	129	90
Total Government	2,197	2,173	2,112	2,080	2,107

(1) Data as of Fourth Quarter of 2015

** Withheld to avoid disclosing * data. Data that are not disclosed for individual industries are always included in the totals. 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, 2015 AUDITED FINANCIAL STATEMENTS
(EXCERPTS)

State of New Mexico

Deming Public Schools
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT THERON

For the Fiscal Year ended June 30, 2015

Deming Public Schools

TABLE OF CONTENTS

June 30, 2015

OTHER SUPPLEMENTARY INFORMATION:

Deming Public Schools
DIRECTORY OF OFFICIALS
June 30, 2015

BOARD OF EDUCATION

Ronald Wolfe	President
John Sweetser	Vice-President
Bayne Anderson	Secretary
Matt Robinson	Member
Dr. Francine Jacobs	Member

SCHOOL OFFICIALS

Dr. Daniel Lere	Superintendent
Ted Burr	Associate Superintendent of Finance

Stone, McGee & Co.

Certified Public Accountants

The CPA, Never Underestimate the Value

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
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SILVER CITY, NEW MEXICO 88062
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(575) 538-3795
FAX (575) 388-5040
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INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Education
Deming Public Schools
Deming, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Deming Public Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Deming Public Schools' basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Deming Public Schools' nonmajor governmental funds, components of the general fund and the budgetary comparisons for the components of the general fund, the nonmajor special revenue funds, the debt service funds, and the capital projects funds presented as other supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, 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 Unites 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Deming Public Schools as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and the components of the general fund of the Deming Public Schools as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the components of the general fund, the nonmajor special revenue funds, the debt service funds, and the capital projects funds 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 5-17 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 consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide 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 Deming Public Schools' financial statements that collectively comprise the District's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by the Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules presented as other supplemental data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplemental data are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal awards and the other supplemental data are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information, listed as other information in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of the Deming Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Deming Public Schools' internal control over financial reporting and compliance.

Stone, McGee & Co CPAs

Silver City, New Mexico
November 5, 2015

DEMING PUBLIC SCHOOLS
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2015

This written analysis is of Deming Public Schools District's financial reporting and is an objective and easily readable discussion of the School District's financial activities. The discussion and analysis, as well as the Statement of Net Position and Statement of Activities, provide a review of the School District's overall financial activities, using the accrual basis of accounting, for the years ending June 30, 2014 and 2015. Fund financial statements are reported on a modified accrual basis of accounting. Rather than look at specific areas of performance, this discussion and analysis focuses on the financial performance of the School District as a whole. Whenever possible this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphic information.

This annual report consists of a series of detailed, audited financial statements and the notes to those statements. Also included is the Independent Auditor's Report, The Independent Auditor's 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, The Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and a Schedule of Findings and Questioned Costs.

About the Deming Public Schools

Deming Public Schools and Luna County share the same geographical area, 2,968 square miles, Deming Public Schools is, geographically, the 6th largest school district in the state. The Southern border of the District is the county line which shares a 53 mile border with Mexico. Some U.S. citizens reside in Mexico and attend Deming Schools as out-of-district students. In addition, the school district serves the largest migrant student population in the state. Schools are located in Deming and Columbus. The School District consists of 12 schools and has a 2014-2015 student membership of 5,400 students at the preschool through 12th grade level. The preschool serves students of ages 3 and 4 years. Six Elementary Schools serve students in kindergarten through 5th grade. The Intermediate school serves all students in 6th grade, the Middle School is grades 7th and 8th, with the High School and Charter High School serving students in grades 9th through 12th.

The District's enrollment increased 1.7% for the 2014-2015 school year. District five year enrollment increased 0.9%.

The demographics of the School District region are considered "rural", the general population growth in Luna County has provided the School District with an increasing property tax base. The property tax is used to generate revenues through voter approval which are, in turn, used as a basis to sell obligation bonds. Additional property taxes, approved by voters also support an additional two mill levy revenue which generates the local match for state funding of Senate Bill # 9. The Senate Bill # 9 Capital Improvements Fund (SB-9), both state and local moneys, are used for maintenance, purchase and improvements of land and buildings, student activity vehicles and student technology. The general obligation bond proceeds are used to expand and improve district infrastructure through the building of new schools and adding to existing school facilities to meet the student population and to house students in regular classrooms instead of portable classroom buildings. To set facility priorities, the School District employs a detailed Five-Year Master Facility Plan which is updated and reviewed annually.

Deming Public Schools Accounting and Finance

We believe this written analysis and the accompanying financial reporting will indicate to the reader that the Deming Public Schools is in good financial health. Indicators to the reader such as bond interest rates, fund balances, cash on hand and budget management all are indicators of a positive financial direction and management. The School District maintains a financial and accounting staff with strong levels of technical experience and education.

Staffing levels are adequate to meet daily workload demands and to provide the necessary level of internal controls demanded of an organization the size of the Deming Public School District. Financial policies and procedures are in place to guide staff through the daily business routines.

As an integral part of the School District accountability process, the Deming Public School Board is active in the monitoring of expenditures and budgets through a formal, monthly reporting process to the School Board. This reporting is provided at public meetings and becomes a part of the School Board's permanent, public record.

Significant Financial Highlights for the Year Ending June 30, 2015

- Cash assets decreased $2,345,973 to $22,027,153.
- Accumulated depreciation has increased by $3,026,721 to $47,222,264 as of June 30, 2015 from $44,195,543 for June 30, 2014.
- Total revenues increased from $55,702,853 in the year ending June 30, 2014 to $59,414,781 in the year ending June 30, 2015. This is an increase of $3,711,928 or 7%.
- Total expenditures, inclusive of all capital expenditures from general obligation bond proceeds, increased from $59,512,842 for the year ending June 30 2014 to $62.091.958 for the year ending June 30 2015. This is an increase in expenditures of $2,579,116 or 4%. Increases in instruction and maintenance of buildings for year ended June 30, 2015 compared to June 30, 2014 accounted for the increase.

DISTRICT WIDE FINANCIAL STATEMENTS

Statement of Net Position

Statement of Net Position, is prepared using the accrual method of accounting. This statement shows that the School District has total assets and deferred outflows of resources of $96,525,846 and $98,623,235 as of June 30, 2014 and 2015, respectively. The School District cash assets as of June 30, 2015 decreased by 10% to $22,027,153 due to spending general obligation bond proceeds sold in the prior year. Accounts payable decreased by 36% to $460,839 as of June 30, 2015 compared to June 30, 2014 accounts payable of $724,055. Accounts payable for FY 2015 is comprised of employee benefits obligated during June and due within 3 months. Net Position restricted for various purposes totaling $12,663,123 and $12,506,919 as of June 30, 2014 and 2015 respectively, decreased by 2%.

Implementation of GASB 68 in Fiscal Year 2015, which requires the District to recognize a portion of New Mexico Educational Retirement Board, (NMERB), net pension liability, is reflected in the statement in deferred outflows of resources, inflows of resources, and net pension liability. NMERB net pension liability is the difference between the present value of future retirement benefits paid to retired employees less the fair market value of NMERB assets minus liabilities. The District share of NMERB's net pension liability is $56,421,681. The component unit, the District's charter high school, share of NMERB net pension liability is $1,687,222.

The Statement of Net Position is presented in compressed form on the following page.

District, without Component Unit, Statement of Net Position		
Cash Assets	24,373,126	22,027,153
All Other Current Assets	4,164,181	5,645,285
Defered Outflows of Rsources		3,869,274
Capital Assets	112,184,082	114,303,787
Depreciation	(44,195,543)	(47,222,264)
Total Assets	**96,525,846**	**98,623,235**
Liabilities		
Accounts Payable	724,055	460,839
Other Current Liabilities	5,051,835	6,508,692
Long Term Liabilities	18,198,844	15,633,347
Deferred Inflows of Resources	155,174	6,968,829
Net Pension Liability		56,421,681
Total Liabilities	**23,974,734**	**85,993,388**
Net Position		
Invested in Capital Assets	57,420,624	57,570,390
Restricted	12,663,123	12,506,919
Unrestricted	2,312,191	-57,447,462
Total Net Position	**72,395,938**	**12,629,847**

This statement includes accumulated depreciation of the School District's capital assets in the amount of $44,195,543 and $47,222,264 as of June 30, 2014 and 2015 respectively. The School District utilizes a "straight line" depreciation method in all cases and standardized lifetime tables in calculating depreciation.

The component unit, Deming Cesar Chavez Charter High School, ended the year with $251,480 total net position compared to $1,550,759 as of June 30, 2014. This is a decrease of $1,299,279 or 107% and is related to implementation of GASB 68. The school is applying for renewal of its charter for an additional 5 years during FY-16.

Component Unit Statement of Net Position

Assets	**June 30, 2014**	**June 30, 2015**
Cash Assets	1,169,924	1,347,200
All Other Current Assets	234,417	234,417
Deferred Outflows of Resources		225,905
Improvements and Equipment	320,478	459,160
Less Accumulated Depreciation	(96,827)	(112,855)
Total Assets	**1,627,992**	**2,153,827**
Liabilities		
Accounts Payable	43,823	10,317
Net Pension Liability		1,676,905
Deferred Inflows of Resources	33,410	215,125
Total Liabilities	**77,233**	**1,902,347**
Net Position		
Invested in Capital Assets	223,651	346,305
Restricted	25,569	0
Unrestricted	1,301,539	(94,825)
Total Net Position	**1,550,759**	**251,480**

Accounts payable were decreased to $10,317 for June 30, 2015 from $43,823 as of June 30, 2014. Deferred inflows of resources of $215,125 and $38,410 as of June 30, 2015 and 2014, respectively, increased due to implementation of GASB 68.

Statement of Activities

The Statement of Activities is prepared using the accrual method of accounting. This report compliments the Statement of Net Position by showing the overall change in the School District's net position for the fiscal year ending June 30, 2015. As of June 30, 2015 the School District, exclusive of the component unit, had total net position of $12,629,847 compared to $72,395,938 for 2014. Net position decreased $59,766,091 for the year ending June 30, 2015. Fiscal year 2014 disposition of assets reflects the book value, net of accumulated depreciation, of vacated school buildings transferred to the Village of Columbus in exchange for future use of untreated water for irrigation.

Governmental Activities	June 30, 2014	June 30, 2015
Total Government Activities Expense	$ 57,482,278	$ 60,179,012
Charges for Services	730,145	737,006
Operating Grants and Contributions	15,181,413	16,064,661
Capital Grants and Contributions	547,487	757,062
Net (Expenses) Revenues and Changes in Net Position	**$ (41,023,233)**	**$ (42,620,283)**
General Revenues		
Taxes-general, debt service	$ 4,530,960	$ 4,583,180
State Aid	34,874,690	37,077,718
Investment earnings	32,005	48,419
Recoveries and refunds	10,282	521,230
Loss on disposition of assets	(507,223)	0
Total General Revenues & Special Item	**$ 38,940,714**	**$ 42,230,547**
Changes in Net Position	**$ (2,082,519)**	**$ (389,736)**
Net Position beginning of year, as restated	74,478,457	13,019,583
Net Position – end of year	$ 72,395,938	$ 12,629,847

The component unit net position decreased by $1,299,279 for the year ending June 30, 2015.

Component Unit Activities	June 30, 2014	June 30, 2015
Total Government Activities Expense	1,583,792	1,444,488
Net (Expenses) Revenues and Changes in Net position	**(1,583,792)**	**(1,444,488)**
General Revenues		
State aid	1,462,790	1,617,191
Recoveries & Refunds	275,844	83,913
Investment earnings	4,286	3,946
Total General Revenues & Special Item	**1,742,920**	**1,705,050**
Changes in Net Position	**159,128**	**260,562**
Net Position beginning of year, as restated	1,391,631	(9,082)
Net Position - end of year	**1,550,759**	**251,480**

FUND FINANCIAL STATEMENTS

Statement of Revenues and Expenditures

Fund financial statements are based on a modified accrual basis of accounting. The Statement of Revenues and Expenditures and Changes in Fund Balances – Governmental Funds, guides the reader to a meaningful overall view for the district revenues, expenditures fund balance and changes to the fund balance. Total revenues from state, local and Federal sources were $65,202,853 and $59,414,781 for fiscal years 2014 and 2015 respectively. FY 2014 revenues includes $9,500,000 proceeds from General Obligation Bonds. Total expenditures for the School District were $59,512,842 and $62,091,958 for fiscal years 2014 and 2015 respectively. The total ending fund balance was $24,500,180 and $21,823,003 for fiscal years 2014 and 2015, respectively, a decrease of $2,677,177.

Multi-Year District Revenues and Expenditures

A multi-year view of overall School District revenues and expenditures indicates inconsistent growth in both areas. Issuance of general obligation bonds during 2012 and 2014 increased revenue without increasing expenses while construction expenses in subsequent years increased expenses.

Year	Total Revenues *	Increase %	Total Expenditures *	Increase %
2009-2010	$58,294,540	-5%	$58,433,624	-4%
2010-2011	$57,583,948	-1%	$55,282,977	-5%
2011-2012	$55,590,775	-3%	$57,295,346	4%
2012-2013	$55,025,779	-1%	$55,368,884	-3%
2013-2014	$65,202,853	18%	$59,512,842	7%
2014-2015	$59,414,781	-9%	$62,091,958	4%

Note: Revenues include proceeds from General Obligation Bonds and exclude cash carryovers;
Expenses include capital outlays.

The Budget

School District budgets reflect the same pattern as seen in the revenue and expenditures of the School District. The State of New Mexico school budget process is defined under state law and regulation. To enhance the process of developing a budget at the school district level, the Deming Public School District utilizes goals and objectives defined by the Deming Public School Board, community input meetings, long term plans and input from various staff groups to develop the School District budget. School District priorities are defined through this process.

Governmental Accounting Standards do not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

Major budgetary funds in these reports are, for June 2015, the General Fund, Cafeteria, Title I, State Grants, Bond Building, Debt Service, and Other Funds. The June 30, 2014 report major funds were General Fund, Title I, State Grants, SB-9, Bond Building, and Other Funds. The General Fund is comprised of three New Mexico Public Education Department funds, operational, transportation, and non-instructional student support. The following table presents the fiscal relationship of the General Fund, Debt Service, and all other major funds.

Total Expenditures Fiscal Years 2014 and 2015

	FY-14		**FY-15**		**Increase (Decrease)**	
General fund	39,898,097	67%	40,877,855	66%	979,758	2%
Debt Service	2,884,698	5%	3,187,518	5%	302,820	10%
All Other	16,730,047	28%	18,026,585	29%	1,296,538	8%
Total	59,512,842	100%	62,091,958	100%	2,579,116	4%

The increase in All Other funds is due to increased expenditures for maintenance and instruction. The General Fund increased 2% from fiscal year 2014 to 2015. The General Fund provides the salary and benefits for the significant majority of the instruction, instructional support, school support, maintenance and administrative staff as well as classroom materials, special education consulting staff and fixed utility costs. The General Fund increase is reflective of the beginning of the economic recovery and the corresponding increase of State revenues.

General Fund revenue is substantially derived from the State Equalization Guarantee, which is the funding formula appropriated for education by the New Mexico Legislature.

All funds met the regulatory criteria set by the State Department of Education and New Mexico Statute. Both the Manual of Procedures for Public School Accounting and NMSA 8-22-5, annotated require that budget expenditures be within the authorization of the approved budget.

The General Fund

The School District General Fund is comprised of the Operational fund, Transportation fund and Non-instructional fund. General Fund revenues represented more than _% of the School District's revenue for fiscal years 2014 and 2015, exclusive of General Obligation Bonds. The General Fund is predominately funded by revenues from the State of New Mexico Equalization Guarantee Formula. This fund pays for teaching staff, teaching support staff, special education support staff, maintenance staff and administrative staff. The General Fund also provides funding for student transportation.

The following table presents the General Fund Expenditures in 5 functions for the fiscal years 2014 and 2015.

General Fund Expenditure by Function

Function	FY 2014		Fy 2015		Increase (Decrease)		
Instruction	22,768,683	57%	23,406,866	57%	638,183	3%	65%
Pupil & Instructional Support	7,035,422	18%	7,520,634	18%	485,212	7%	50%
Maintenance & Operations	5,600,436	14%	5,669,075	14%	68,639	1%	7%
Transportation	2,300,550	6%	2,243,887	5%	(56,663)	-2%	-6%
Administration & Business	2,193,006	5%	2,037,393	5%	(155,613)	-7%	-16%
Total	**39,898,097**	**100%**	**40,877,855**	**100%**	**979,758**	**2%**	**100%**

The percentage of the General Fund spent on the instruction function remained at 57% for fiscal year 2015. Pupil & Instructional Support increased for fiscal year 2015 $485,212 for 7% of the General Fund and includes expenditures for school building administration, program coordinators, counselors, school nursing staff, librarians, special education ancillary staff and significant support to special education programs through contract ancillary support staff and contract programs. Maintenance and Operations remained at 14% of General Fund expenditures. It includes expenses for salaries and benefits for maintenance staff, computer technicians, school custodians, fixed utility costs, insurance, maintenance and repairs, maintenance supplies, school custodial supplies and capital outlay. Transportation represents General Fund expenditures to transport students to and from school decreased $56,663 and is 5% of General Fund expenditures. Administration and business include the office of the superintendent and other central administrators and clerical staff representing the overhead support for the entire school district; these programs decreased $155,613 to 5% of the total General Fund for fiscal year 2015.

Capital Assets

In the fiscal year ending June 30, 2015 the Statement of Revenues, Expenditures and Changes in Fund Balances shows the School District expended $2,119,705 for capital outlay. This is down from $2,493,014 for the previous fiscal year and reflects building renovations, additions, land purchase and land improvements.

The following table presents the capital assets from the Statement of Net Assets along with the changes. The increases in Land and Improvement are due to renovations of elementary playgrounds, and parking lots at school buildings. Construction in progress reflects the start of new buildings for the High School and Intermediate School. The new schools will be ready for students the start of 2017-2018 school year and will cost approximately $120 million of which, approximately 72% is provided through State Grants.

Capital Assets	FY 2014	FY 2015	Change	
Land and improvements	9,175,396	9,495,324	319,928	3%
Building and improvements	94,895,404	94,991,357	95,953	0%
Furniture and equipment	8,046,977	8,575,146	528,169	7%
Construction in progress	0	1,241,960	1,241,960	0%
Less: Accumulated depreciation	(44,196,543)	(47,222,264)	(3,025,721)	7%
Total capital assets, net of depreciation	**67,921,234**	**67,081,523**	**(839,711)**	-1%

General Long Term Debt

Article IX, Section 11 of the New Mexico Constitution limits the powers of a school district to incur general obligation debt beyond a school year. The School District can incur such debt for “the purpose of erecting, remodeling, making additions, and furnishing buildings or purchasing or improving schools grounds or purchasing computer software or hardware for student use in public classrooms or any combination of these purposes.” The approval of the debt is subject to a vote of the local electors and may not exceed 6% of the assessed valuation of the taxable property within the School District.

The School District has never defaulted on any of its debt or other obligations. Listed below is the School District’s total general obligation debt as of June 30, 2015.

Deming Public Schools General Obligation Bonds			
Projected Principal and Interest Payments			
Fiscal YR	**Principal Payment**	**Interest Payment**	**Total**
2016	2,600,000	544,408	3,144,408
2017	2,800,000	536,325	3,336,325
2018	2,200,000	469,075	2,669,075
2019	2,450,000	403,250	2,853,250
2020	1,930,000	340,863	2,270,863
2021	1,450,000	298,000	1,748,000
2022	1,250,000	269,563	1,519,563
2023	1,300,000	240,875	1,540,875
2024	1,200,000	211,250	1,411,250
2025	1,350,000	181,063	1,531,063
2026	1,450,000	147,313	1,597,313
2027	1,500,000	110,250	1,610,250
2028	1,400,000	72,500	1,472,500
2029	1,400,000	34,000	1,434,000
2030	400,000	7,000	407,000
TOTAL	$ 24,680,000	$ 3,865,733	$ 28,545,733

Future Trends

The majority of the District's General Fund is provided by the State of New Mexico through the State Equalization Funding Formula. Until the recent economic recession the funding per unit had seen positive growth for the last 10 years. The following table presents the value per funding unit or (unit value).

State Equalization Formula
Value per Funding Unit

Year	State	Federal	Total	Increase (Decrease)
FY-05	3,069	-	3,069	
FY-06	3,281	-	3,281	7%
FY-07	3,446	-	3,446	5%
FY-08	3,674	-	3,674	7%
FY-09	3,863	-	3,863	5%
FY-10	3,458	335	3,793	-2%
FY-11	3,556	139	3,695	-3%
FY-12	3,586	-	3,586	-3%
FY-13	3,668	-	3,668	2%
FY-14	3,818	-	3,818	4%
FY-15	4,028	-	4,028	6%

Until FY-10 the funding unit value was completely funded by the State of New Mexico. In FY-10 Federal State Stabilization Funds were used to offset a 10% reduction in State Funding. For FY-11 the remaining Federal State Stabilization Funds along with the Federal Education Jobs Fund comprise 4% of the current year unit value. These Federal funds expired at June 30, 2014. The State has not maintained the unit value. Until Fy-15 the unit value remained below FY-09 value of 3,862.79. Unit value for FY-15 increased to $4,005.75.

Contacting the Deming Public School District

This financial report is designed to provide our community, taxpayers, investors and creditors with an overview of the Deming Public School District's financial condition and to provide accountability for the funds the School District receives. If you have questions about our report or about the operations of the Deming Public School District, please contact:

Ted Burr, Executive Director of Finance
Emmett Shockley Administration Building
400 Cody Road
Deming, NM 88030

Mailing address:
Deming Public Schools
1001 S. Diamond Ave
Deming, NM 88030

Deming Public Schools
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Component Unit
Assets		
Cash and cash equivalents	$ 22,027,153	$ 1,347,200
Property taxes receivable	529,515	
Due from other governments	4,837,464	234,417
Interest receivable	77	
Inventory	278,229	
Capital assets:		
Construction in progress	1,241,960	
Land and improvements	9,495,324	
Buildings and improvements	94,991,357	
Equipment	8,575,146	459,160
Less accumulated depreciation	(47,222,264)	(112,855)
Total capital assets, net of depreciation	$ 67,081,523	$ 346,305
Total assets	$ 94,753,961	$ 1,927,922
Deferred Outflows of Resources		
Related to pensions	$ 3,869,274	$ 225,905
Liabilities		
Cash overdraft	$ 3,691,963	$ -
Accounts payable	460,839	10,317
Long-term liabilities:		
Portion due or payable within one year:		
Bonds payable	2,600,000	
Accrued interest payable	216,729	
Portion due or payable after one year:		
Net pension liability	56,421,681	1,676,905
Bonds payable	15,100,000	
Bonds premiums	90,953	
Compensated absences	442,394	
Total liabilities	$ 79,024,559	$ 1,687,222
Deferred Inflows of Resources		
Related to pensions	$ 6,631,066	$ 177,444
Unavailable revenue	337,763	37,681
Total deferred inflows of resources	$ 6,968,829	$ 215,125

Deming Public Schools
STATEMENT OF NET POSITION (concluded)
June 30, 2015

Net Position		
Net investment in capital assets	$ 57,570,390	$ 346,305
Restricted for:		
Capital projects	3,046,051	
Debt service	3,372,833	
Other purposes	6,088,035	
Unrestricted	(57,447,462)	(94,825)
Total net position	$ 12,629,847	$ 251,480

The accompanying notes are an integral part of these financial statements

Deming Public Schools
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

	Expenses	Charges for Services
Functions/Programs		
Governmental activities:		
Instruction	$ 31,558,117	$ 152,936
Support services - Students	4,871,808	
Support services - Instruction	1,461,818	
General administration	1,446,678	344,778
School administration	2,657,671	
Central services	1,254,678	
Operation of plant	9,842,034	223,470
Food services	3,974,090	15,822
Transportation	2,571,698	
Other support services	26,963	
Interest on long-term debt	513,457	
Total governmental activities	$ 60,179,012	$ 737,006
General revenues:		
Property taxes:		
Levied for general purposes		
Levied for debt service		
Levied for capital improvements		
State aid - formula grants		
Loss on disposition of assets		
Recoveries and refunds		
Unrestricted investment earnings		
Total general revenues and special items		
Change in net position		
Net position, beginning of year, as originally stated		
Restatement		
Net position, beginning of year, as restated		
Change in net position		
Net position - end of year, as restated		

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

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Unit
$ 6,561,898	$ -	$ (24,843,283)	$ (656,289)
925,483		(3,946,325)	(145,939)
151,387		(1,310,431)	
292,547		(809,353)	(111,388)
60,170		(2,597,501)	(258,983)
124,592		(1,130,086)	(124,153)
1,344,181	757,062	(7,517,321)	(147,736)
4,430,695		472,427	
2,173,708		(397,990)	
		(26,963)	
		(513,457)	
$ 16,064,661	$ 757,062	$ (42,620,283)	$ (1,444,488)
		$ 271,141	$ -
		3,213,439	
		1,098,600	
		37,077,718	1,617,191
		521,230	83,913
		48,419	3,946
		$ 42,230,547	$ 1,705,050
		$ (389,736)	$ 260,562
		$ 72,395,938	$ 1,546,488
		(59,376,355)	(1,555,570)
		$ 13,019,583	$ (9,082)
		(389,736)	260,562
		$ 12,629,847	$ 251,480

Deming Public Schools
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Cafeteria	Title I
Assets			
Cash and investments	$ 2,676,479	$ 2,978,282	$ -
Property taxes receivable	21,535		
Interest receivable	76		
Inventory	222,290	55,939	
Due from other governments		183,855	2,009,644
Interfund receivable	208,580	8,967	780
Total assets	$ 3,128,960	$ 3,227,043	$ 2,010,424
Liabilities			
Cash overdraft	$ -	$ -	$ 1,801,844
Accounts payable	247,097	142,065	
Interfund payable	5,564	13,662	208,580
Total liabilities	$ 252,661	$ 155,727	$ 2,010,424
Deferred Inflows of Resources			
Unavailable revenue	$ 14,647	$ -	
Total deferred inflows of resources	$ 14,647	$ -	$ -
Fund balance:			
Nonspendable:			
Inventories	$ 222,290	$ 55,939	$ -
Restricted for:			
Education	171,355		
Food service		3,015,377	
Social services			
Transportation	1		
Capital projects			
Debt service			
Unassigned	2,468,006		
Total fund balances	$ 2,861,652	$ 3,071,316	$ -
Total liabilities, deferred inflows of resources and fund balances	$ 3,128,960	$ 3,227,043	$ 2,010,424

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

State Grants	Bond Building	Debt Service	Other Funds	Total Governmental Funds
$ -	$ 9,654,437	$ 3,116,033	$ 3,601,922	$ 22,027,153
		357,340	150,640	529,515
	1			77
				278,229
1,424,963			1,219,002	4,837,464
1,136	293,540	16,982	144,055	674,040
$ 1,426,099	$ 9,947,978	$ 3,490,355	$ 5,115,619	$ 28,346,478
$ 654,821	$ -	$ -	$ 1,235,298	$ 3,691,963
			71,677	460,839
39,524		103,840	302,870	674,040
$ 694,345	$ -	$ 103,840	$ 1,609,845	$ 4,826,842
$ 945,049	$ 189,700	$ 285,781	$ 261,456	$ 1,696,633
$ 945,049	$ 189,700	$ 285,781	$ 261,456	$ 1,696,633
$ -	$ -	$ -	$ -	$ 278,229
			1,568,998	1,740,353
			1,039	3,016,416
			57,407	57,407
				1
	9,758,278		1,476,640	11,234,918
		3,100,734	140,234	3,240,968
(213,295)				2,254,711
$ (213,295)	$ 9,758,278	$ 3,100,734	$ 3,244,318	$ 21,823,003
$ 1,426,099	$ 9,947,978	$ 3,490,355	$ 5,115,619	$ 28,346,478

Deming Public Schools

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2015

Total governmental fund balances	$ 21,823,003
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	67,081,523
Bond premiums are capitalized and amortized over the life of the bonds	(90,953)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property taxes subject to the 60 day availability period	413,821
Intergovernmental receivables subject to the 60 day availability period	945,049
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred inflows of resources related to pensions	(6,631,066)
Deferred outlfows of resources related to pensions	3,869,274
Long-term liabilities, including bonds payable,compensated absences, lease-purchases payable and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:	
Net pension liability	(56,421,681)
Bonds payable	(17,700,000)
Accrued interest payable	(216,729)
Compensated absences payable	(442,394)
Net Position f Governmental Activities	$ 12,629,847

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

Deming Public Schools

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2015

	General Fund	Cafeteria	Title I	State Grants
Revenues:				
Property taxes	$ 269,700	$ -	$ -	$ -
Fees and charges	374,270	15,822		
State aid	39,862,487			2,218,327
Federal aid	297,966	4,285,989	4,183,229	
Earnings on investments	2,975	4,549		527
Miscellaneous	137,205			386,950
Total revenues	$ 40,944,603	$ 4,306,360	$ 4,183,229	$ 2,605,804
Expenditures:				
Current:				
Intstruction	$ 23,406,866	$ -	$ 3,377,261	$ 1,935,386
Support service - Students	3,742,104		282,666	10,725
Support services - Instruction	1,293,708		149,390	
General administration	1,023,821		217,100	13,996
School administration	2,457,859		30,628	29,542
Central services	1,013,572		124,592	
Operation of plant	5,669,075			956,800
Food service		3,682,536		25,203
Transportation	2,243,887		1,592	
Other support services	26,963			
Debt service:				
Principal				
Interest				
Bond issue costs				
Capital outlay				
Total expenditures	$ 40,877,855	$ 3,682,536	$ 4,183,229	$ 2,971,652
Revenues over (under) expenditures	$ 66,748	$ 623,824	$ -	$ (365,848)
Other financing sources (uses):				
Debt proceeds				
Transfer out				
Transfer in				
Net change in fund balances	$ 66,748	$ 623,824	$ -	$ (365,848)
Fund balance, July 1, 2014	2,794,904	2,447,492		152,553
Fund balance, June 30, 2015	$ 2,861,652	$ 3,071,316	$ -	$ (213,295)

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

Bond Building	Debt Service	Other Funds	Total Governmental Funds
$ -	$ 3,116,594	$ 1,167,851	$ 4,554,145
		34,480	424,572
757,062		116,461	42,954,337
		2,141,969	10,909,153
31,029	1,557	7,782	48,419
			524,155
$ 788,091	$ 3,118,151	$ 3,468,543	$ 59,414,781
$ -	$ -	$ 1,320,560	$ 30,040,073
		607,571	4,643,066
		1,997	1,445,095
	31,580	73,226	1,359,723
			2,518,029
			1,138,164
703		2,910,206	9,536,784
		123,543	3,831,282
		77	2,245,556
			26,963
	1,450,000	1,265,000	2,715,000
	463,031	9,487	472,518
			-
1,088,036		1,031,669	2,119,705
$ 1,088,739	$ 1,944,611	$ 7,343,336	$ 62,091,958
$ (300,648)	$ 1,173,540	$ (3,874,793)	$ (2,677,177)
			-
			-
			-
$ (300,648)	$ 1,173,540	$ (3,874,793)	$ (2,677,177)
10,058,926	1,927,194	7,119,111	24,500,180
$ 9,758,278	$ 3,100,734	$ 3,244,318	$ 21,823,003

Deming Public Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2015

Net change in fund balances- total governmental funds	$ (2,677,177)
Amounts reported for governmental activities in the statement of activities are different because:	
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 as depreciation expense:	
Capital outlay	2,119,705
Depreciation expense	(3,026,721)
Bond and loan proceeds are reported as financing sources in the funds, In the Statement of Activities, however, issuing debt increased long term liabilities	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change during the year:	
Property taxes subject to the 60 day availability period	29,035
Miscellaneous receivables subject to the 60 day availability period	(2,925)
Intergovernmental grants subject to the 60 day availability period	348,385
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	2,715,000
Bond premiums are expenditures in the funds but are capitalized and amortized in the Statement of Activities:	
Bond premiums	-
Amortization	12,478
Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of emploee contributions is reported as pension expense	
Pension contributions	3,869,274
Cost of benefits earned net of employee contributions	(3,676,392)
Governmental funds only report the dispoal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the basis in the assets disposed of.	
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the net change during the year.	(53,417)

Deming Public Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2015

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change in compensated absences for the year.		(46,981)
Change in Net Position of Governmental Activities	$	(389,736)

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

Deming Public Schools

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	$ 200,000	$ 200,000	$ 221,820	$ 21,820
State sources	39,059,154	39,626,002	39,587,017	(38,985)
Local sources	589,438	589,438	868,552	279,114
Earnings on investments	2,563	2,563	2,963	400
Total revenues	$ 39,851,155	$ 40,418,003	$ 40,680,352	$ 262,349
Expenditures:				
Current:				
Instruction	$ 24,468,627	$ 24,899,552	$ 23,490,986	$ 1,408,566
Support services - Students	3,879,320	3,879,320	3,693,675	185,645
Support services - Instruction	1,160,429	1,287,429	1,286,901	528
General administration	1,134,646	1,134,646	1,034,021	100,625
School administration	2,475,893	2,475,893	2,459,257	16,636
Central services	1,175,708	1,175,708	1,019,743	155,965
Operation of plant	6,623,051	6,623,051	5,518,680	1,104,371
Transportation	2,240,552	2,258,283	2,254,222	4,061
Other support services	98,563	98,563	40,737	57,826
Capital outlay	2,953	2,953	2,423	530
Total expenditures	$ 43,259,742	$ 43,835,398	$ 40,800,645	$ 3,034,753
Revenues over (under) expenditures	$ (3,408,587)	$ (3,417,395)	$ (120,293)	$ 3,297,102
Other financing sources (uses):				
Transfers in				-
Net change in fund balance	$ (3,408,587)	$ (3,417,395)	$ (120,293)	$ 3,297,102
Fund balance, July 1, 2014	3,408,587	3,417,395	3,005,352	(412,043)
Fund balance, June 30, 2015	$ -	$ -	$ 2,885,059	$ 2,885,059

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ 66,748
Revenue accruals (net)	(264,251)
Expenditure accruals (net)	77,210
Net change in fund balance, NON-GAAP budgetary basis	$ (120,293)

Deming Public Schools
SPECIAL REVENUE FUND - TITLE I
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	$ 4,072,562	$ 5,517,582	$ 3,189,067	$ (2,328,515)
Expenditures:				
Current:				
Instruction	$ 2,442,333	$ 3,751,306	$ 3,390,431	$ 360,875
Support services - Students	1,071,667	1,082,367	282,666	799,701
Support services - Instruction	112,019	151,319	149,390	1,929
General administration	317,718	322,996	217,100	105,896
School administration	81,700	81,700	30,628	51,072
Central services	47,125	125,894	124,592	1,302
Operation of plant				-
Transportation		2,000	1,682	318
Capital outlay				-
Total expenditures	$ 4,072,562	$ 5,517,582	$ 4,196,489	$ 1,321,093
Net change in fund balance	$ -	$ -	$ (1,007,422)	$ (1,007,422)
Fund balance, July 1, 2014	-	-	(1,003,002)	(1,003,002)
Fund balance, June 30, 2015	$ -	$ -	$ (2,010,424)	$ (2,010,424)

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ -
Revenue accruals (net)	(994,162)
Expenditure accruals (net)	(13,260)
Net change in fund balance, NON-GAAP budgetary basis	$ (1,007,422)

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

Deming Public Schools

SPECIAL REVENUE FUND - VARIOUS STATE GRANTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	$ 1,690,007	$ 2,783,961	$ 1,967,297	$ (816,664)
Local sources	605,032	768,362	386,950	(381,412)
Earnings on investments			527	527
Total revenues	$ 2,295,039	$ 3,552,323	$ 2,354,774	$ (1,197,549)
Expenditures:				
Current:				
Instruction	$ 1,593,471	$ 2,129,118	$ 1,935,386	$ 193,732
Support services - Students	10,996	10,996	10,725	271
Support services - Instruction	36,340	36,340		36,340
General administration		14,000	13,996	4
School administration	43,100	43,100	29,542	13,558
Operational plant maintenance	611,132	1,293,566	956,800	336,766
Food service		25,203	25,203	-
Capital outlay				-
Total expenditures	$ 2,295,039	$ 3,552,323	$ 2,971,652	$ 580,671
Net change in fund balance	$ -	$ -	$ (616,878)	$ (616,878)
Fund balance, July 1, 2014	-	-	(37,943)	(37,943)
Fund balance, June 30, 2015	$ -	$ -	$ (654,821)	$ (654,821)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			$ (365,848)	
Revenue accruals (net)			(251,030)	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			$ (616,878)	

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

Deming Public Schools

SPECIAL REVENUE FUND - CAFETERIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	$ 2,500,000	$ 2,500,000	$ 4,087,666	$ 1,587,666
State sources				-
Local sources	13,000	13,000	15,822	2,822
Earnings on investments	3,000	3,000	4,549	1,549
Total revenues	$ 2,516,000	$ 2,516,000	$ 4,108,037	$ 1,592,037
Expenditures:				
Current:				
Food services	$ 3,841,580	$ 3,841,580	$ 3,450,016	$ 391,564
Capital outlay				-
Total expenditures	$ 3,841,580	$ 3,841,580	$ 3,450,016	$ 391,564
Net change in fund balance	$ (1,325,580)	$ (1,325,580)	$ 658,021	$ 1,983,601
Fund balance, July 1, 2014	1,325,580	1,325,580	2,320,261	994,681
Fund balance, June 30, 2015	$ -	$ -	$ 2,978,282	$ 2,978,282
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			$ 623,824	
Revenue accruals (net)			(198,323)	
Expenditure accruals (net)			232,520	
Net change in fund balance, NON-GAAP budgetary basis			$ 658,021	

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

Deming Public Schools

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

June 30, 2015

	Primary Government Agency	Component Unit Agency
Assets		
Cash and investments	$ 167,465	$ 1,538
Total assets	$ 167,465	$ 1,538
Liabilities		
Deposits held for others	$ 167,465	$ 1,538
Total liabilities	$ 167,465	$ 1,538

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

Note 1 **Summary of Significant Accounting Policies**

Deming Public Schools, organized under the laws of the State of New Mexico, operates under the school board-superintendent form of government. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

These financial statements present the District (the primary government). As defined by Generally Accepted Accounting Principles, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relationships with the District. Based on the criterion in Generally Accepted Accounting Principles, the District had one component unit, the Cesar Chavez High School Charter School 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 separate from the primary government. Separately issued financial statements can be obtained by writing to Cesar Chavez High School Charter School at P.O. Box 1658, Deming, New Mexico 88031.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are finances through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are finances in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental, and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in this fund are State sources provided for Student Transportation, (Transportation Sub-Fund), Books (Instructional Material Sub-Fund), and Student Activities (Non-Instructional Support Sub-Fund).

Special Revenue Funds

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

Capital Project Fund

The Capital Project Fund is used to account for resources restricted for the acquisitions or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the District.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

Agency Funds account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e.) assets equal liabilities, they do not involve the measurements of results of operations. Typically these funds are owned by clubs, athletic teams, and/or student organizations.

The emphasis in fund financial statements is on the major funds in the governmental category. Non-major funds are summarized into a single column.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in to the government-wide statements.

Major Fund Descriptions

General – See above description.

Title I – accounts for federal resources administered by the New Mexico State Department of Education to provide assistance to educationally deprived students in low income areas of the District. P.L. 103-382, and is a Special Revenue Fund.

State Grants – to account for various grants received to provide educational opportunities to the students of the District, and is a Special Revenue Fund.

Cafeteria – fund used to account for revenues generated by the District as well as the federal assistance received and the related expenditures necessary to provide food services for the District. Required by New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (PSAB, Supplement 17).

Bond Building – to account for the expenditures of bond proceeds for school improvements, and is a Capital Project Fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Positions and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "current financial resources" measurement focus is used.

a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The government-wide financial statements and Agency Funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings process is complete.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

   The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

2. Modified Accrual:

   The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recoded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

   Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met and reported as deferred outflows of resources by the provider and deferred inflows of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflows of resources. Such amounts are recorded net of estimated uncollectible amounts.

   Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year end are reported as deferred inflows of resources in the fund statements. Property taxes are considered fully collectible.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are 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 is reported in three parts-net investment in capital assets, net of related debt; restricted net positions; and unrestricted net position. The District first utilized restricted resources when an expense is incurred and for purposes for which both restricted and unrestricted net positions are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Charges for services include revenues bases on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase use or directly benefit from the goods, services or privileges provided. Revenues in this category include fees charged for specific services, such as attendance at athletic events, food service, copies and auxiliary services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

D. BUDGETS

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are prepared by management and approved by the local school board and the Public Finance School Division of the Department of Education. Included in the General Fund are activity funds which, although not budgeted by the District are considered District funds. Therefore, these non-budgeted activity accounts are excluded from the budgetary comparison statement.

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

Actual expenditures may not exceed the budget on a function category basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a "series", this may be accomplished with only local Board of Education approval. If a transfer between "series" or a budget increase is require, approval must also be obtained from Public Education Department.

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

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged securities remain in the name of the financial institution. Repurchase agreements are required to be collateralized 102%.

F. INVENTORIES

Except for U.S.D.A. commodities, which are shown at estimated value, inventories are valued at costs (first-in, first-out). Inventory in the Cafeteria Fund consists mainly of food items. Inventories, in other governmental fund types, consist primarily of supply-type assets.

G. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of $5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Software and library resources	3-5 years
Machinery and equipment	5-10 years
Improvements	10-20 years

The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statements. In the government-wide financial statements, capital assets are accounted for as capital assets. In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

H. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, accrued compensated absences, and lease purchase.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

I. COMPENSATED ABSENCES

The District's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The District has deferred outflows related to pensions as discussed in Note 6.

In addition to liabilities, the Statement of Financial Position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, one of which arises under the full accrual basis of accounting and all of which arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue, has been reported in both the statement of net position and the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The District reports unavailable revenue from the following sources:

		Governmental Funds Balance Sheet					
	Statement of net Position	General Fund	State Grants	Bond Building	Debt Service	Other Funds	Total
Advances	$337,763	$	$	$ 189,700	$	$ 148,063	$ 337,763
Property taxes		14,647			285,781	113,393	413,821
Grant revenue			945,049				945,049
Total	$337,763	$ 14,647	$ 945,049	$ 189,700	$ 285,751	$ 261,456	1,696,633

K. EQUITY CLASSIFICATIONS

Government-wide Statements

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

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

b. Restricted net position – consists of net positions with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

During the year ended June 30 2011, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or other purposes).

L. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the District by the County Treasurer, and are remitted to the District in the month following collection. Because the Treasurer of the County in which the District is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable county to the District.

The District is permitted to levy taxes for general operating purposes up to $.50 per $1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the District is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the District, as well as a Two Mill Levy for District improvements. The District's total tax rate to finance general government services for the year ended June 30, 2015 was $4.84 per $1,000 for non-residential property and $4.95 for residential property. The District's tax rate for debt service was $5.792 per $1,000 for both residential and nonresidential property. The District's tax rate for District improvements was $2.00 per $1,000 for residential and $1.965 for nonresidential property. The District's tax rate for education technology debt was $-0- for both residential and non-residential.

M. INTERFUND ACTIVITY

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund 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 inter-fund transactions are treated as transfers. Inter-fund activity between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

N. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The District does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2015 $2,614,515 of the government bank balance of $14,926,058 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 2,614,515

The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer, with the advice and consent of the State Board of Finance, is authorized to invest money held in the short-term investment fund in accordance with Section 6-10-10I through 6-10-10P and Sections 6-10-10.1 A and E, NMSA 1978. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.IF, 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 amounts fund were invested.

Investments are valued at fair value based on quoted market prices as of the valuation date.

Participation in the pool is voluntary. The District had $707,929 on deposit in the pool at June 30, 2015, which is AAAm rated with a weighted average maturity of 54.6 days.

Note 3 Investments

At June 30, 2015, the District had the following investments:

Investment Type	Amortized Cost	Fair Value	Weighted Average Maturity (Months)
U.S. Government Money Market	$ 585,220	$ 585,220	N/A
Certificates of Deposit	9,500,000	9,500,000	N/A
Total investments	$10,085,220	$10,085,220	

Portfolio weighted average maturity

The District has elected to report its investments at amortized cost, since all investments have a maturity date of less than one year at time of purchase.

Interest Rate Risk – The District limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit Risk – The District has no investment policy beyond that prescribed by New Mexico law. The District's current investments have no credit risk since they are all in U.S. Government Securities.

Concentration of Credit Risk – The District places no limits on the amount it may invest in any one issuer. The District's currently has 6% invested in U.S. Government securities, and 94% in certificates of deposit.

Custodial Credit Risk – The District in not subject to custodial credit risk for its investments, since all are held in the name of the District.

Note 4 Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	$ 2,635,833	$	$	$ 2,635,833
Construction in progress	67,305	1,174,655		1,241,960
Total assets not being depreciated	$ 2,703,138	$ 1,174,655	$ -0-	$ 3,877,793
Other capital assets:				
Buildings/improvements	$ 94,895,404	$ 95,953	$	$ 94,991,357
Land improvements	6,539,563	319,928		6,859,491
Furniture and equipment	8,045,977	529,169		8,575,146

Total other capital assets at historical cost	$109,480,944	$ 945,050	$ -0-	$ 110,425,994
Less accumulated depreciation for:				
Buildings/improvements	$ (35,146,145)	$ (2,426,731)	$	$ (37,572,876)
Land improvements	(2,237,488)	(289,865)		(2,527,353)
Furniture and equipment	(6,811,910)	(310,125)		(7,122,035)
Total accumulated depreciation	$ (44,195,543)	$ (3,026,721)	$ -0-	$ (47,222,264)
Other capital assets, net	$ 65,285,401	$ (2,081,671)	$ -0-	$ 63,203,730
Total capital assets, net	$ 67,988,539	$ (907,016)	$ -0-	$ 67,081,523

Depreciation expense was charged to the governmental activities as follows:

Instruction	$ 1,604,162
Support Services – Students	242,138
Support Services – Instruction	22,700
General Administration	90,802
School Administration	151,336
Central Services	121,069
Operation of plant	317,806
Food Services	148,336
Transportation	328,372
	$ 3,026,721

The District has future construction commitments of approximately $50,000,000, for projects underway at June 30, 2015. A substantial amount of this construction will be funded by the Public Schools Facilities Authority.

Note 5 Long-term Debt

Changes in long-term debt were as follows during the year end June 30, 2015:

	Balance July 1, 2014	Additions	Deletion	Balance June 30, 2015	Due In One Year
G.O. Bonds, series 2014	$ 9,500,000	$ -0-	$ -0-	$ 9,500,000	$ 1,100,000
G.O. Bonds, series 2003	1,300,000	-0-	700,000	600,000	600,000
Compensated absences payable	395,414	256,747	209,767	442,394	-0-
G.O. Bonds, series 2006	3,400,000	-0-	400,000	3,000,000	500,000
G.O. Bonds, series 2007	4,950,000	-0-	350,000	4,600,000	400,000
Ed Tech Certificate	1,265,000		1,265,000	-0-	-0-
	$20,810,414	$ 256,747	$ 2,924,767	$ 18,142,394	$ 2,600,000

Annual debt service for bonds payable requirements are as follows:

Due in fiscal year ending June 30:

	Principal	Interest
2016	$ 2,600,000	$ 482,350
2017	2,100,000	411,100
2018	1,900,000	344,975
2019	1,900,000	278,525
2020	1,650,000	215,063
2021-2025	3,700,000	668,126
2026-2030	3,850,000	198,311
	$ 17,700,000	$ 2,598,450

No compensated absences are considered due and payable in the next fiscal year.

The District executed an Ed Tech Certificate, which allows the District to incur $2,345,000 in debt to acquire education technology equipment. This debt is repaid over a two year period, including interest at 1.5%, from property taxes levied specifically to retire the debt. The property tax levies expire when the related debt is repaid. This debt was paid in full in 2015.

During the year ended June 30, 2015, the District recognized $75,891 in property taxes pledged to retire the debt, and retired $1,274,487 in debt principal and interest.

April 15, 2003, the District issued $5,700,000 in general obligation bonds with the interest rates at 2.5% and 3.45% for the purpose of building a new elementary school. Principal payments are due on August 1st of every year, with first principal payment due August 1, 2005. Interest payments are due February 1st and August 1st. The bonds mature August 1, 2015. The bonds and bond interest for all bond issues are paid from property taxes levied. The general obligation bonds are direct obligations and pledge the full faith and credit of the District, and are to be retired through property tax levied.

On May 15, 2006, the District issued $5,000,000 in general obligation bonds with interest rates 3.5% to 3.95% for the purpose of erecting, remodeling, making additions to and furnishing school building, or purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools classrooms or any combination of these purposes. Principal payments are due August 1st of each year. The interest payments are due on August 1st and February 1st. The bonds mature August 1, 2021. The bonds and bond interest for all bond issues are paid from property taxes levied. The general obligation bonds are direct obligations and pledge the full faith and credit of the District, and are to be retired through property tax levies.

On April 17, 2007 the District issued $6,000,000 in general obligation bonds with interest rates 3.55% to 5.00% for the purpose of erecting, remodeling, making additions to and furnishing school building, or purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools classrooms or any combination of these purposes. Principal payments are due August 1st of each year. The interest payments are due on August 1st and February 1st. The bonds mature August 1, 2019. The bonds and bond interest for all bond issues are paid from property taxes levied. The general obligation bonds are direct obligations and pledge the full faith and credit of the District, and are to be retired through property tax levies.

During the year ended June 30, 2014, the District issued $9,500,000 in general obligation bonds with interest rates ranging from 2.00% to 2.60% for the purpose of erecting, remodeling, making additions to and furnishing school buildings, or purchasing and improving school grounds. Principal payments are due August 1st of each year. Interest payments are due on August 1st and February 1st of each year. The bonds mature August 1, 2028. The bonds and bond interest for all bond issues are paid from property taxes levied for the repayment of the bonds. The general obligation bonds are direct obligations and pledge the full faith and credit of the District, and will be retired through property tax levies.

The bonds and bond interest are paid from property tax levies enacted specifically for the debt retirement. The revenues pledged totaled $20,298,450 at June 30, 2015, and equal 100% of the tax levies enacted to repay the bonded indebtedness. The bonds were sold to erect and furnish facilities for the District. Interest rates range from 2.00% to 5% for individually scheduled retirements, and maturity dates range from 2015 through 2029. The property tax levies expire when the related bond indebtedness is repaid.

During the year ended June 30, 2015, the District recognized $3,116,594 in property taxes pledged to retire the bonded indebtedness, and retired $1,913,031 in bond principal and interest.

Note 6 Pension Plan

Summary of Significant Accounting Policies
General Information about the Pension Plan

Plan Description

ERB was created by the State's Education Retirement Act, Section 22-11-1 through 22-11-2. NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the State's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates.

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

Benefits Provided

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

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

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

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in 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 reduce 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 he median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

Contributions

The contribution requirements of defined benefit plan members and the Deming Public Schools 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, 2014 employers contributed 13.15% 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 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90% and employees earning $20,000 or less continued to contribute 7.9% and employees earning more than $20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Deming Public Schools were $3,869,274 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the Deming Public Schools reported a liability of $56,421,681 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, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the District's proportion was .98886 percent, which was a decrease of .0142 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Deming Public Schools recognized pension expense of $3,676,392. At the June 30, 2015, the Deming Public Schools reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	$ -	$ (840,484)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(5,128,981)
Changes in proportion and differences between Truth or Consequences Municipal Schools contributions and proportionate share of contributions		(661,601)

Deming Public Schools contributions subsequent to the measurement date	3,869,274	-
Total	$3,869,274	$(6,631,066)

$3,869,274 reported as deferred outflows of resources related to pensions resulting from Deming Public Schools contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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:	
2016	$ 1,803,806
2017	1,803,806
2018	1,741,219
2019	1,282,235

Actuarial Assumptions

As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than $20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% 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. COLA'S for most retirees are reduced until ERB attains a 100% funded status.

4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized-closed 30 years from June 30, 2012 to June 30, 2042

Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

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. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30 year return assumptions are summarized in the following table:

Asset Class	2014 Long-Term Expected Real Rate of Return	2013 Long-Term Expected Real Rate of Return
Cash	1.50%	0.75%
Treasury's	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	.093%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%

Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

Discount Rate

A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERBs defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the Deming Public Schools 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 2014. In particular, the table presents the District's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Deming Public Schools proportionate share of the net pension liability	$76,768,206	$56,421,681	$39,426,734

Pension Plan Fiduciary Net Position

Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at www.nmerb.org.

Note 7 State Retiree Health Care Plan

Plan Description

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

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

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

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were 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, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the Authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Deming Public Schools contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were $555,879, $545,131, and $549,154, respectively, which equal the required contributions for each year.

Note 8 Risk Management

The District's is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors; errors and omissions; injuries to employees;; and natural disasters. Because the District was unable to obtain general liability insurance at a cost it considered to be economically justifiable, it joined together with other school districts in the State and obtained insurance coverage with New Mexico Public Schools Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to New Mexico Public Schools Insurance Authority for its general insurance coverage, and all risk of loss is transferred. No losses exceeded insurance in the past three years.

The New Mexico Public Schools Insurance Authority is self-insured for property and liability losses below $250,000 and purchases excess insurance above the self-insured retention aggregate for property is set at $2,000,000 with a $1,000,000 stop loss. The self-insured retention aggregate for liability is $3,000,000 with a $1,000,000 stop loss.

Note 9 Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. 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 government expects such amounts, if any, to be immaterial.

Note 10 Deficit Fund Balance

The District had the following deficit fund balances at June 30, 2015. Deficits occur due to the accrual of accounts payable and the 60 day limitation on revenue recognition required by the modified accrual basis of accounting. As liabilities are paid and revenue collected in subsequent periods, the deficits are reduced.

State Grants	$ 213,295

Note 11 Inter-fund Activity

Inter-fund balances at June 30, 2015, consisted of the following:

	Inter-fund Payable						
	General Fund	Cafeteria	Title I	State Grants	Debt Service	Other Funds	Total
Inter-fund Receivables							
General	$	$	$208,580	$	$	$	$208,580
Cafeteria						8,967	8,967
Title 1						780	780
State Grants	1,136						1,136
Bond Building					103,840	189,700	293,540
Debt Service						16,982	16,982
Other Funds	4,428	13,662		39,524		86,441	144,055
	$ 5,564	$ 13,662	$ 208,580	$ 39,524	$ 103,840	$ 302,870	$674,040

All amounts are expected to be repaid within one year. The purposes of the loans was to provide cash for operating purposes.

During the year ended June 30, 2015, there were no transfers between funds.

Note 12 Restricted Net Position

At June 30, 2015, net position restricted for other purposes included the following balances in special revenue funds:

SB-9	$1,568,605
Cafeteria	3,071,316
Medicaid	57,407
Athletics	393
Fresh Fruits	1,039
Other	1,389,275
	$6,088,035

The District reports $12,506,919 in restricted net position, of which $12,506,526 is restricted by enabling legislation.

Note 13 Leasing Arrangements

The District leases a school building to its component unit, Cesar Chavez High School Charter School.

The following schedule provides an analysis of the District's investment in the property by major classes at June 30, 2015:

Land	$ 5,000
Buildings	683,183
	$ 688,183
Less accumulated depreciation	(683,183)
Net position	$ 5,000

The lease is renegotiated annually, and currently requires payment annually of $700 times the average full-time-equivalent enrollment on the eightieth and one hundred twentieth day of the prior school year.

The District received $96,000 in rent from its component unit during the year ended June 30, 2015.

Note 14 Evaluation of Subsequent Events

The District has evaluated subsequent events through November 5, 2015, the date which the financial statements were available to be issued.

Note 15 Restatement

During the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board Statements No. 67 and 68. These statements require the recognition of a net pension liability for the unfunded pension liabilities as currently measured by the Education Retirement Board.

As a part of this measurement, the District is required to restate its net position for the estimated liability as June 30, 2014, in the amount of $59,376,355.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

The 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 for each maturity.

DTC provided the following information. Neither the Financial Advisor nor the District can vouch for its accuracy or completeness. For further information, please contact DTC or view its website at www.dtc.org.

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 will not be or be considered to be registered owners under the Bond 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 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 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 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 of any amount in 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 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 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 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 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 or of the District, the District may thereupon terminate the services of DTC with respect to the Bonds. 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 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 certificates are registered will be treated as registered owners for all purposes of the Bond Resolution, including the giving to the District or the Registrar of any notice, consent, request or demand pursuant to the Bond 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, 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.

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 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.

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.

APPENDIX D

FORMS OF CO-BOND COUNSEL OPINION

CUDDY & McCARTHY
A Limited Liability Partnership

JOHN F. MCCARTHY, JR.
M. KAREN KILGORE
SANDRA J. BRINCK
PATRICIA SALAZAR IVES
AARON J. WOLF
REBECCA DEMPSEY
JACQUELYN ARCHULETA-STAEHLIN
JULIE A. WITTENBERGER
ANDREW M. SANCHEZ
PATRICK T. ORTIZ
CHARLES V. GARCIA
ARTURO L. JARAMILLO

JAMES S. RUBIN
CHARLOTTE H. HETHERINGTON
R. DANIEL CASTILLE
CAROL S. HELMS

EVELYN A. PEYTON
YOUNG-JUN (JUN) ROH
NANCY V. NIETO
LAURA M. CASTILLE
LAURA E. SANCHEZ-RIVÉT

OF COUNSEL:
JOHN F. KENNEDY

REPLY TO SANTA FE OFFICE

______________________, 2016

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.

$9,780,000
DEMING PUBLIC SCHOOL DISTRICT NO. 1
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2016A

We have acted as 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 2016A ("Bonds") in the aggregate principal amount of $10,500,000. In addition to examining 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 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:

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SANTA FE, NEW MEXICO 87502-4160
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7770 JEFFERSON N.E., SUITE 102
ALBUQUERQUE, NEW MEXICO 87109
TEL 505-888-1335; FAX 888-977-3816

pives@cuddymccarthy.com

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. The interest on the Bonds is excluded from base 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,

CUDDY & McCARTHY
A Limited Liability Partnership

JOHN F. MCCARTHY, JR.
M. KAREN KILGORE
SANDRA J. BRINCK
PATRICIA SALAZAR IVES
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EVELYN A. PEYTON
YOUNG-JUN (JUN) ROH
NANCY V. NIETO
LAURA M. CASTILLE
LAURA E. SANCHEZ-RIVÉT

OF COUNSEL:
JOHN F. KENNEDY

REPLY TO SANTA FE OFFICE

______________________, 2016

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.

$3,125,000
DEMING PUBLIC SCHOOL DISTRICT NO. 1
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2016B

We have acted as 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 Refunding Bonds, Series 2016B ("Bonds") in the aggregate principal amount of $3,125,000. In addition to examining 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 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:

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ALBUQUERQUE, NEW MEXICO 87109
TEL 505-888-1335; FAX 888-977-3816

pives@cuddymccarthy.com

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. The interest on the Bonds is excluded from base 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,

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

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TELEPHONE: 210 225-2800
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[*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*.]

$3,125,000
DEMING PUBLIC SCHOOL DISTRICT NO. 1
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2016B

We have acted as Co-Bond Counsel in connection with the issuance by the Deming Public School District No. 1 (the "Issuer"), of its General Obligation Refunding Bonds, Series 2016B in the aggregate principal amount of $3,125,000 (the "Bonds"). We have examined those portions of the Constitution and laws of the State of New Mexico considered by us relevant to this opinion, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of the Bonds, including the form of the Bonds 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 and with respect to the application to the Bonds of those provisions of the Internal Revenue Code of 1986, as amended (the "Code"), 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 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 or corporate 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. 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.

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 AService@); 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.

We call your attention to the fact that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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,

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

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[*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*.]

$9,780,000
DEMING PUBLIC SCHOOL DISTRICT NO. 1
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2016A

We have acted as Co-Bond Counsel in connection with the issuance by the Deming Public School District No. 1 (the "Issuer"), of its General Obligation School Bonds, Series 2016A in the aggregate principal amount of $9,780,000 (the "Bonds"). We have examined those portions of the Constitution and laws of the State of New Mexico considered by us relevant to this opinion, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of the Bonds, including the form of the Bonds 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 and with respect to the application to the Bonds of those provisions of the Internal Revenue Code of 1986, as amended (the "Code"), 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 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 or corporate 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. 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.

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 AService@); 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.

We call your attention to the fact that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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,