NOTICE

DEMING PUBLIC SCHOOL DISTRICT NO. 1
General Obligation School and Refunding Bonds, Series 2015

Preliminary Official Statement
dated June 23, 2015

The Preliminary Official Statement, dated June 23, 2015 (the "Official Statement") relating to the above-described bonds (the "Bonds") of the Deming Public School District No. 1 (the "Issuer"), has been posted on the Internet as a matter of convenience. Paper copies of the Official Statement are available from the Issuer by contacting the financial advisor, RBC Capital Markets, LLC, Erik Harrigan at (505) 872-5999. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat 9.0). Although this format should replicate the Preliminary Official Statement available from the Issuer, its appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat 9.0 may cause the Preliminary Official Statement that you view or print to differ in format from the Preliminary Official Statement.

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

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

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

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

<u>Preliminary Official Statement dated June 23, 2015</u>

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 23, 2015

$9,485,000*
DEMING PUBLIC SCHOOL DISTRICT NO. 1
Luna County, New Mexico
General Obligation School and Refunding Bonds, Series 2015

NEW ISSUE — BANK-QUALIFIED

Book-Entry Only — Moody's Rating: Aa1 Enhanced (Underlying A2)

PURPOSES

Proceeds of the Bonds will be used for the purpose of (i) erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [22-24-1 NMSA 1978], or any combination of these purposes; (ii) a current refunding the District's outstanding General Obligation School Building Bonds, Series 2006 (the "Refunded Bonds"); and (iii) paying costs of issuance.

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, 2016. 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. dba Bank of Albuquerque (or successor) is the Registrar and Paying Agent for the Bonds.

OPTIONAL REDEMPTION

The Series 2015 Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS."

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 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 a portion of the Bonds is also subject to the delivery of an approving opinion of the Attorney General of the State of New Mexico. The District will designate the Bonds as "qualified tax-exempt obligations" for financial institutions.

DELIVERY

When, as and if issued, through DTC's facilities, on or about August 4, 2015.

DATED DATE

Date of initial delivery of the Bonds.

DUE DATE

August 1, as shown below:

General Obligation School & Refunding Bonds, Series 2015

Year	Principal		Interest Rate	Yield	Cusip # 550340	Year	Principal	Interest Rate	Yield	Cusip # 550340
2016	$1,200,000	*				2023	$600,000			
2017	800,000	*				2024	600,000			
2018	1,050,000	*				2025	600,000			
2019	785,000	*				2026	500,000			
2020	950,000	*				2027	400,000			
2021	600,000					2028	400,000			
2022	600,000					2029	400,000			

* Preliminary, subject to change.

Sealed and electronic bids will be opened at 10:00 AM, prevailing Mountain Time on Tuesday, June 30, 2015.
See "Notice of Bond Sale" enclosed.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

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

DISTRICT ADMINISTRATION

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

FINANCIAL ADVISOR

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

CO-BOND COUNSEL

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

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

PAYING AGENT/REGISTRAR

BOKF, N.A. dba Bank of Albuquerque
201 Third Street NW, Suite 1400
Albuquerque, New Mexico 87102
(505) 222-8447

ELECTRONIC BID PROVIDER

i-Deal Bidcomp/Parity
1359 Broadway – 2nd Floor
New York, New York 10018
(212) 849-5021

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
Deming Public School District
400 Cody Road
Deming, New Mexico 88030
Attn: Theodore Burr

Financial Advisor
RBC Capital Markets, LLC
6301 Uptown Blvd. NE, Suite 110
Albuquerque, NM 87110
Attn: Erik Harrigan

TABLE OF CONTENTS

INTRODUCTION 5
THE ISSUER 5
THE FINANCIAL ADVISOR 5
LIMITED ROLE OF AUDITOR 5
THE BONDS 6
AUTHORITY 6
GENERAL TERMS 6
PLAN OF FINANCE 6
SECURITY FOR THE BONDS 6
BOND REGISTRAR AND PAYING AGENT 7
PAYMENT OF PRINCIPAL AND INTEREST; RECORD DATE 7
OPTIONAL PRIOR REDEMPTION 7
REDEMPTION NOTICES 8
TRANSFERS AND EXCHANGES 8
LIMITED BOOK-ENTRY RESPONSIBILITIES 8
DEFEASANCE 9
SECURITY AND REMEDIES 10
LIMITATIONS OF REMEDIES 10
SOURCES AND USES OF FUNDS 10
NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM 11
DEBT AND OTHER FINANCIAL OBLIGATIONS 12
SELECTED DEBT RATIOS 13
OUTSTANDING DEBT 13
DEBT SERVICE REQUIREMENTS TO MATURITY 14
STATEMENT OF ESTIMATED DIRECT AND OVERLAPPING DEBT 14
TAX BASE 15
ANALYSIS OF ASSESSED VALUATION 15
MAJOR TAXPAYERS 16
SCHOOL TAX RATES 16
TAX RATES 17
YIELD CONTROL LIMITATIONS 18
DEVELOPMENTS LIMITING RESIDENTIAL PROPERTY TAX INCREASES 18
TAX COLLECTIONS 19
INTEREST ON DELINQUENT TAXES 19
PENALTY FOR DELINQUENT TAXES 19
REMEDIES AVAILABLE FOR NON-PAYMENT OF TAXES 20
THE DISTRICT 20
SCHOOL DISTRICT POWERS 20
MANAGEMENT 20
INSURANCE 21
ENROLLMENT 21
FINANCES OF THE EDUCATIONAL PROGRAM 22
SOURCES OF REVENUES FOR GENERAL FUND 22
STATE EQUALIZATION GUARANTEE PROGRAM 22
BALANCE SHEET 24
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES 25
TITLE I SPECIAL REVENUE FUNDS 26
DEBT SERVICE 26
BOND BUILDING CAPITAL PROJECTS 26
AGENCY FUNDS 26
DISTRICT BUDGET PROCESS 26
RETIREMENT PLAN 27
TAX MATTERS 29
FEDERAL INCOME TAX OPINION 29
NEW MEXICO INCOME TAX OPINION 29
FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT 30
COLLATERAL FEDERAL INCOME TAX CONSEQUENCES 30
STATE, LOCAL & FOREIGN TAXES 31
QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS 31
CONTINUING DISCLOSURE UNDERTAKING 32
ANNUAL REPORTS 32
AVAILABILITY OF INFORMATION FROM THE MSRB 33
LIMITATIONS AND AMENDMENTS 33
COMPLIANCE WITH PRIOR UNDERTAKINGS 33
LITIGATION 33
RATINGS 34
LEGAL MATTERS 34
DISCLOSURE CERTIFICATE 34
ADDITIONAL MATTERS 34
OTHER MATTERS 35
A LAST WORD 35

APPENDICES

A. ECONOMIC & DEMOGRAPHIC INFORMATION
B. JUNE 30, 2014 AUDITED FINANCIAL STATEMENTS
C. BOOK-ENTRY-ONLY SYSTEM
D. FORMS OF CO-BOND COUNSELS' OPINION

$9,485,000*
DEMING PUBLIC SCHOOL DISTRICT NO. 1
Luna County, New Mexico
General Obligation School and Refunding Bonds, Series 2015

INTRODUCTION

Thank you for your interest in learning more about the $9,485,000* Deming Public School District No. 1, Luna County, New Mexico (the "District"), General Obligation School and Refunding Bonds, Series 2015 (the "Bonds"). This Official Statement will tell you about the Bonds, their security, the District and the risks involved in an investment in the Bonds.

Although the District has approved this Official Statement, the District does not intend it to substitute for competent investment advice, tailored for your situation.

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 2014 assessed valuation is $550,582,756 and its 40th day enrollment for school year 2014-15 was 5,354. 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, 2014 contained in Appendix B, this Official Statement presents unaudited financial and statistical information from District records and other sources.

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* *Preliminary, subject to change.*

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 a portion of the Bonds. A 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

The Bonds are being offered for the purpose of providing (i) $7,000,000 for erecting, remodeling, making additions to and furnishing school buildings, purchasing and improving school grounds, purchasing computer software and hardware for student use in public school classrooms, or any combination of these purposes within the District; (ii) approximately $2,485,000* to currently refund the District's General Obligation School Building Bonds, Series 2006 (the "Refunded Bonds"); and (iii) funds to pay costs of issuance of the Bonds. The Refunded Bonds are currently callable and are anticipated to be redeemed on August 4, 2015. The 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 principal of and interest due on the Refunded Bonds are to be paid on the redemption date from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and BOKF, N.A. dba Bank of Albuquerque (the "Escrow Agent"). The Bond Resolution provides that from the proceeds of the sale of the Bonds and District cash, if necessary, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

By the deposit of the Bond proceeds and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds in accordance with the law. It is the opinion of Co-Bond Counsel that, as a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

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 CREDIT ENHANCEMENT PROGRAM," herein. The District will covenant in the Bond Resolution to levy, in addition to all other taxes, direct annual ad valorem taxes sufficient to pay the principal of and interest on the Bonds. The District may pay the principal of and interest on the Bonds from any funds belonging to the District, which funds may be reimbursed from the ad valorem taxes when the same are collected.

Bond Registrar and Paying Agent

BOKF, N.A. dba Bank of Albuquerque (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

Bonds maturing on or after August 1, 2025 may be redeemed prior to their scheduled maturities on August 1, 2024 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, and the District shall designate the amount that is to be redeemed, and if less than a whole maturity is to be redeemed, the District shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof within such maturity, for redemption (provided that a portion of a Bond may be redeemed only in an integral multiple of $5,000), at the redemption price of par, plus accrued interest to the date fixed for redemption.

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

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

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

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

Transfers and Exchanges

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner of his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein.

Limitation on Transfer of Bonds

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

Limited Book-Entry Responsibilities

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

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

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

Defeasance

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 (including the interest component of bonds issued by the Resolution Funding Corporation).

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.

SOURCES AND USES OF FUNDS

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

Sources	Series 2015
Par Amount of Bonds	
Premium to District	
Total	
Uses	
Deposit to Escrow Fund	
Deposit to Construction Fund	
Deposit to Debt Service Fund	
Costs of Issuance	
Total	

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 assessed valuation of taxable property within the District is $550,582,756 for tax year 2014. Therefore, the maximum general obligation debt may not exceed $33,034,965.

After the Bonds are issued, the ratio of total outstanding net general obligation debt of the District to the 2014 assessed valuation will be no greater than 4.19% as summarized:

2014 Assessed Valuation	$550,582,756
2014 Estimated Actual Valuation [(1)]	$1,907,020,158
Bonded Debt	
Current Total Outstanding (Including the Bonds)	$24,685,000
Less Debt Service Fund Balance [(4)]	1,599,021
NET DEBT	$23,085,979
Ratio of Estimated Net Debt to 2014 Assessed Valuation:	4.19%
Ratio of Estimated Net Debt to 2014 Estimated Actual Valuation:	1.21%
Per Capita Net Bonded Debt:	$851.88
Est. Population:	27,100

(1) Actual valuation is computed by adding exemptions to the assessed valuation and multiplying the result by three.
(2) Preliminary, subject to change.
(3) Excludes the Refunded Bonds.
(4) The cash balance as of May 29, 2015 was $1,875,652. The amount properly attributable to principal reduction is 85.3%.

Selected Debt Ratios

	2014 Tax Year	
2014 Assessed Valuation	$550,582,756	
2014 Estimated Actual Valuation [1]	$1,907,020,158	
District General Obligation		
Debt Outstanding (Including the Bonds)	24,685,000	[2] [3]
District Net General Obligation Debt	$23,085,979	
District Net Debt as a Percentage of		
Assessed Valuation	4.19%	
Estimated Actual Valuation	1.21%	
Estimated Direct & Overlapping G/O Debt	$28,480,163	
Direct & Overlapping Debt as a Percentage of		
Assessed Valuation	5.17%	
Estimated Actual Valuation	1.49%	
Estimated Population	27,100	
District Net Debt Per Capita	$851.88	
Direct & Overlapping Debt Per Capita	$1,050.93	

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

(2) Preliminary, subject to change.

(3) Excludes the Refunded Bonds.

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	
2003	$5,700,000	01-Aug-15	$600,000	
2006	5,000,000	01-Aug-20	500,000	[1]
2007	6,000,000	01-Aug-19	4,600,000	
2014	9,500,000	01-Aug-28	9,500,000	
2015	9,485,000	01-Aug-29	9,485,000	[2]
	$35,685,000		$24,685,000	

(1) After refunding.

(2) Preliminary, subject to change.

Debt Service Requirements to Maturity

The District schedules principal and interest payments at the time of the bond sales with constraints being general obligation debt capacity and expected property tax revenues 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 proposed principal and interest payments on the Bonds.

	Current Requirements			Series 2015 Bonds			Total Requirements		
Year	Principal [1]	Interest	Total	Principal	Interest [2]	Total	Principal	Interest	Total
2015	$2,600,000	$211,950	$2,811,950				$2,600,000	$211,950	$2,811,950
2016	1,600,000	348,300	1,948,300	1,200,000 [2]	339,352	1,539,352	2,800,000	687,652	3,487,652
2017	1,400,000	300,150	1,700,150	800,000 [2]	289,975	1,089,975	2,200,000	590,125	2,790,125
2018	1,400,000	250,800	1,650,800	1,050,000 [2]	261,975	1,311,975	2,450,000	512,775	2,962,775
2019	1,150,000	205,500	1,355,500	785,000 [2]	225,225	1,010,225	1,935,000	430,725	2,365,725
2020	500,000	165,625	665,625	950,000 [2]	197,750	1,147,750	1,450,000	363,375	1,813,375
2021	650,000	154,375	804,375	600,000	164,500	764,500	1,250,000	318,875	1,568,875
2022	700,000	139,750	839,750	600,000	143,500	743,500	1,300,000	283,250	1,583,250
2023	600,000	124,000	724,000	600,000	122,500	722,500	1,200,000	246,500	1,446,500
2024	750,000	110,500	860,500	600,000	101,500	701,500	1,350,000	212,000	1,562,000
2025	850,000	93,625	943,625	600,000	80,500	680,500	1,450,000	174,125	1,624,125
2026	1,000,000	74,500	1,074,500	500,000	59,500	559,500	1,500,000	134,000	1,634,000
2027	1,000,000	5,100	1,005,100	400,000	42,000	442,000	1,400,000	47,100	1,447,100
2028	1,000,000	2,600	1,002,600	400,000	28,000	428,000	1,400,000	30,600	1,430,600
2029	-	-	-	400,000	14,000	414,000	400,000	14,000	414,000
	$15,200,000	$2,186,775	$17,386,775	9,485,000	2,070,277	11,555,277	$24,685,000	$4,257,052	$28,942,052

(1) Does not include the Refunded Bonds.

(2) Preliminary, subject to change.

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.

	2014 Assessed Value	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico	$56,473,295,554	$389,270,000	0.97%	$3,795,163
Luna County	550,582,756	-	100.00%	-
City of Deming	265,334,132	-	100.00%	-
Village of Columbus	13,739,135	-	100.00%	-
Deming Public Schools	550,582,756	24,685,000 [1]	100.00%	24,685,000
Total Direct & Overlapping				$28,480,163

(1) Subject to change.

Ratio of Estimated Direct & Overlapping Debt to 2014 Assessed Valuation:	5.17%
Ratio of Direct & Overlapping Debt to 2014 Estimated Actual Valuation:	1.49%
Per Capita Direct & Overlapping Debt:	$1,050.93
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 2014 assessed valuation is $550,582,756. 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 2014 and the previous four years follows.

	2010	2011	2012	2013	2014
Assessments					
Value of Land	$105,892,547	$110,363,230	$111,470,346	$114,257,696	$114,778,324
Improvements	281,882,598	301,726,390	306,903,549	310,129,150	312,227,011
Personal Property	18,350,428	17,679,732	17,656,679	22,977,094	26,113,237
Mobile Homes	26,573,561	27,466,389	28,007,337	28,370,417	28,865,930
Livestock	6,270,761	6,986,333	8,234,298	8,434,244	7,641,461
Assessor's Total Value	438,969,895	464,222,074	472,272,209	484,168,601	489,625,963
Less Exemptions					
Total Exemptions	79,536,678	83,652,480	87,009,973	85,402,694	85,090,630
Assessors Net Valuation	359,433,217	380,569,594	385,262,236	398,765,907	404,535,333
Central Assessed	120,199,087	129,087,914	135,010,387	140,371,897	146,047,423
Total Assessed Valuation	$479,632,304	$509,657,508	$520,272,623	$539,137,804	$550,582,756
Residential	$217,498,968	$231,812,000	$234,099,234	$237,356,131	$240,022,715
Non-Residential	262,133,336	277,845,508	286,173,389	301,781,673	310,560,041
	$479,632,304	$509,657,508	$520,272,623	$539,137,804	$550,582,756

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 2014 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 25.3% of the District's total 2014 assessed value.

Taxpayer	Business	2014 Assessed Valuation	% of District A.V.
Union Pacific	Railway	$32,280,901	5.9%
Public Service Company of NM	Utility	29,671,449	5.4%
El Paso Natural Gas Co.	Pipeline	19,772,854	3.6%
Tucson Electric	Electric Generation	16,439,070	3.0%
Luna Power LLC	Electric Generation	10,750,956	2.0%
SFPPLP	Pipeline	10,588,794	1.9%
BN & SF	Railway	9,566,560	1.7%
El Paso Electric Co.	Utility	4,247,230	0.8%
Columbus Electric Co-op	Utility	4,164,366	0.8%
Qwest	Telephone	1,730,729	0.3%
Total		$139,212,909	25.3%

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 2010 tax year (2009-10 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	Operational		Two Mill Levy		G/O	Ed Tech	Total Debt	Total	
Year	Resid.	Non-Resid.	Resid.	Non-Resid.	Bonds	Obligations	Service	Resid.	Non-Resid.
2010	$0.478	$0.500	$2.000	$2.000	$4.862	$0.726	$5.588	$8.066	$8.088
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

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 2014 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 bonds.

Residential Tax Rates

	2014	2013	2012	2011	2010
Within 20 Mill Limit for General Purposes					
State of New Mexico	0.000	0.000	0.000	0.000	0.000
Luna County	9.874	9.809	9.651	9.409	9.524
City of Deming	4.389	4.317	2.736	2.653	2.701
Deming Schools	0.495	0.492	0.484	0.472	0.478
Total	14.758	14.618	12.871	12.534	12.703
Over 20 Mill Limit - Interest, Principal, Judgement, etc.					
State of New Mexico	1.360	1.360	1.360	1.362	1.530
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	7.792	7.911	7.576	7.585	7.588
Total	9.152	9.271	8.936	8.947	9.118
Total Levy					
State of New Mexico	1.360	1.360	1.360	1.362	1.530
Luna County	9.874	9.809	9.651	9.409	9.524
City of Deming	4.389	4.317	2.736	2.653	2.701
Deming Schools	8.287	8.403	8.060	8.057	8.066
Total Residential - Deming	23.910	23.889	21.807	21.481	21.821
Total Non-Residential - Deming	25.445	25.921	24.261	24.297	24.443
Total Residential in Unincorporated County - Deming	19.552	19.572	19.071	18.829	19.120
Total Non-Residential in Unincorporated County - Deming	21.080	21.446	21.286	21.322	21.468
Total Residential - Columbus	23.228	23.349	22.773	22.496	23.022
Total Non-Residential - Columbus	28.255	28.541	27.917	28.694	29.118

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.
6. 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 Collection for Luna County

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
2014	14/15	$13,302,688	$12,064,149	90.69%	$12,064,149	90.69%
2013	13/14	12,319,797	11,183,706	90.78%	11,679,511	94.80%
2012	12/13	12,009,566	10,948,175	91.16%	11,599,057	96.58%
2011	11/12	11,543,417	10,503,703	90.99%	11,362,151	98.43%
2010	10/11	11,041,769	10,028,129	90.82%	10,815,600	97.95%

(1) Current collections through June 30 of each year

(2) As of June 30, 2014.

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:

Ron Wolf, President
term expires March 1, 2017

John Sweetser, Vice President;
term expires March 1, 2017

William Bayne Anderson, Secretary,
term expires March 1, 2019

Dr. Francine Jacobs, Member;
term expires March 1, 2019

Matt Robinson, 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 1.47% over the 2013-14 school year. Set forth below is the District's enrollment for the school years 2010-11 through 2014-15 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
2010-11	5,187
2011-12	5,259
2012-13	5,268
2013-14	5,187
2014-15	5,263

Souce: 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:

Local Revenues - 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.

Federal Revenues - 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.

State Revenues - 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
2010-2011	$3,674.75	$37,156,421
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

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 GASB 34 Balance Sheet (General Fund). The General Fund includes the following funds: Operational, Transportation and Instructional Materials.

BALANCE SHEET - GENERAL FUND [1]					
Year Ending June 30	2010	2011	2012	2013	2014
Assets:					
Cash & investments	$3,557,737	$4,756,812	$3,873,557	$4,155,090	$2,844,052
Receivables	35,157	22,675	21,462	17,346	21,438
Due from Other Funds	162,909	271,331	724,969	173,747	161,300
Due from Other Governments	165,238	242,724	298,117	58,204	-
Inventory	165,928	231,552	234,807	216,903	197,730
TOTAL	$4,086,969	$5,525,094	$5,152,912	$4,621,290	$3,224,520
Liabilities:					
Accounts Payable	250,506	236,542	360,224	338,040	407,921
Interfund Payable	4,408	4,408	4,408	5,564	5,564
Deferred Revenues	21,531	16,259	14,064	10,462	16,131
TOTAL	276,445	257,209	378,696	354,066	429,616
Fund Equity:					
Reserved for inventory	165,928	231,552	234,807	216,903	197,730
Undesignated	3,644,596	5,036,333	4,539,409	4,050,321	2,597,174
TOTAL	3,810,524	5,267,885	4,774,216	4,267,224	2,794,904
Total Liabilities and Fund Equity	$4,086,969	$5,525,094	$5,152,912	$4,621,290	$3,224,520

(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, 2014 is attached as Appendix B.

Statement of Revenues, Expenditures & Changes in Fund Balances

Listed below is the GASB 34 Statement of Revenues, Expenditures and Changes in Fund Balances (General Fund). The General Fund includes the following funds: Operational, Transportation and Instructional Materials.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND [1]					
Year Ending June 30	2010	2011	2012	2013	2014
Revenues:					
Property Taxes	$229,331	$235,332	$249,958	$252,356	$258,798
Fees and Charges	578,521	488,214	336,374	485,828	437,630
State Sources	35,301,910	35,833,956	36,863,025	37,093,732	37,488,936
Federal Sources	323,630	421,067	301,631	230,000	224,911
Investment Earnings	6,391	7,804	5,904	4,470	4,081
Miscellaneous	248,854	35,674	35,121	112,144	11,421
Total Revenues	$36,688,637	$37,022,047	$37,792,013	$38,178,530	$38,425,777
Expenditures:					
Instruction	$19,065,982	$19,054,147	$21,440,084	$22,072,728	$22,768,683
Support Services - Students	3,346,319	3,367,425	3,191,510	3,188,988	3,503,868
Support Services - Instruction	841,786	733,028	808,727	492,506	1,082,943
Support Services - General Administration	1,170,509	1,121,095	1,201,878	1,279,353	1,055,511
Support Services - School Administration	2,302,935	2,354,915	2,530,628	2,462,580	2,384,598
Central Services	1,406,346	1,518,197	1,425,715	1,358,073	1,137,495
Operation & Maintenance of Plant	5,133,563	5,343,994	5,499,465	5,538,012	5,600,436
Student Transportation	2,651,947	2,015,608	2,088,213	2,176,328	2,300,550
Other Support Services	-	14,341	22,002	75,186	64,013
Capital Outlay	403,354	41,936	77,460	41,768	-
Total	$36,322,741	$35,564,686	$38,285,682	$38,685,522	$39,898,097
Excess revenues over expenditures	$365,896	$1,457,361	($493,669)	($506,992)	($1,472,320)
Fund Balance Beginning of Year	3,444,628	3,810,524	5,267,885	4,774,216	4,267,224
Transfers/Refunds/Adjustments	-	-	-	-	-
Fund Balance at End of Year	$3,810,524	$5,267,885	$4,774,216	$4,267,224	$2,794,904

(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, 2014 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 it 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 the New Mexico Public Education Department. 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

Covered employees earning more than $20,000 were required by State statute to contribute 13.15% of their gross compensation for the fiscal year ending June 30, 2014. For fiscal year 2014, the contribution rate for employees making over $20,000 was 9.4% and the District's percentage was 10.9%. The contribution rates will not change for employees earning less than $20,000. The District's contribution requirement for fiscal year 2014 increased to 13.9%.

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 Educational Retirement Act 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 ERB is 100% funded. The amount of the adjustment is determined by the change in the Consumer Price Index ("CPI"), the retiree's pension amount and the retiree's service credit. Pensions cannot be decreased if there is a decrease in the CPI.

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

Fiscal Year Ending June 30	Employer Contributions	Employee Contributions	Net Assets Held in Trust
2005	$197,872,532	$169,099,212	$7,457,547,183
2006	226,479,332	178,220,782	7,813,888,383
2007	255,853,194	193,657,706	8,591,417,402
2008	290,846,065	201,916,230	9,272,832,328
2009	323,685,497	212,014,023	9,366,271,312
2010	313,276,296	250,666,650	9,431,321,589
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

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.

For the years ending June 30, 2014, 2013, and 2012, the District contributions to the NMRHCA were $545,131, $549,154, and $507,781, respectively.

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.

Source: State of New Mexico, Educational Retirement Board and the District

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 Form of Opinion of McCall, Parkhurst & Horton L.L.P.

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of McCall, Parkhurst & Horton L.L.P. is conditioned on compliance by the District with such requirements, and McCall, Parkhurst & Horton L.L.P. has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

New Mexico Income Tax Opinion

On the date of initial delivery of the Bonds, Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P. will render their opinions that interest on the Bonds will be excluded from net income for purposes of New Mexico state income tax. Cuddy & McCarthy, LLP, express 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

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

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

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 2016.

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

LEGAL MATTERS

The written approval of the New Mexico Attorney General for a portion of the Bonds as to form and legality will be supplied. 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 represent the District. The fee to be paid to Co-Bond Counsel is contingent upon the sale and delivery of the Bonds. The issuance, sale and delivery of a portion of the Bonds is also subject to the approval of the New Mexico Department of Finance and Administration.

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 Department of Education 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. In 2012, Luna County was the 6th largest producer of agricultural products in the state based on cash receipts. 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
1960	6,764	9,839	951,023
1970	8,343	11,706	1,017,055
1980	9,964	15,585	1,303,143
1990	11,672	18,110	1,515,369
2000	14,116	25,016	1,819,046
2010	14,855	25,095	2,059,179
2020*	N/A	28,024	2,540,145
2030*	N/A	31,465	2,864,796

* Projected

Source: U.S. Census Bureau & UNM Bureau of Business & Economic Research

The following table sets forth the 2013 estimate of comparative age distribution profile for Luna County, the State and the United States.

Age	Luna County	New Mexico	United States
0 - 17	25.6%	24.8%	23.3%
18 - 64	53.8%	60.5%	62.6%
65 and older	20.6%	14.7%	14.1%

Source: US Census Bureau, 2013 Estimate.

Per Capita Personal Income

Year	Luna County	New Mexico	United States
2011	$29,338	$34,133	$41,560
2010	28,520	32,940	39,791
2009	26,652	32,200	38,637
2008	25,232	33,490	40,947
2007	23,640	31,675	39,506
2006	21,935	30,209	37,725
2005	21,243	28,641	35,452
2004	19,349	27,092	33,909
2003	18,207	25,639	32,295
2002	17,349	24,977	31,481

Source: U.S. Department of Commerce, Bureau of Economic Analysis,
Regional Economic Information System (03/13 report).

Employment

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

	Luna County		State of New Mexico		United States
Year	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2015*	10,341	19.90%	928,278	6.30%	5.50%
2014	10,225	20.90%	916,243	6.90%	6.70%
2013	12,637	16.60%	924,954	6.10%	7.00%
2012	12,567	17.60%	932,740	6.70%	8.20%
2011	12,535	18.20%	941,871	6.90%	9.00%
2010	12,441	17.80%	962,256	8.30%	9.60%
2009	12,357	16.50%	954,072	5.70%	8.10%
2008	12,375	13.00%	942,173	3.80%	4.80%
2007	12,185	10.20%	938,383	3.80%	4.50%
2006	12,207	8.70%	935,350	4.20%	4.50%

* As of March 2015.

Source: New Mexico Workforce Solutions

Major Employers

Following is a list of major employers in Luna County.

Major Employers - Luna County
Deming Schools
Border Foods
Mimbres Memorial Hospital
Luna County
City of Deming
U.S. Border Patrol
First New Mexico Bank
Amigo's Mexican Foods
Wells Fargo Bank
Columbus Electric Cooperative

Source: Independent sources.

Total Reported Gross Receipts

Calendar	City of Deming		Luna County	
Year	Retail	Total	Retail	Total
2014*	$90,067,664	$236,836,494	$115,043,434	$565,325,460
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
2005	147,177,232	391,210,269	155,754,314	663,471,660

* Through June 2014.

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).

Luna County	2009	2010	2011	2012	2013
Agriculture	791	721	727	755	697
Mining	*	*	*	*	*
Utilities	*	*	45	44	45
Construction	208	168	169	215	231
Manufacturing	961	1,074	975	954	924
Wholesale trade	74	82	123	109	120
Retail trade	1,137	1,194	1,166	1,140	1,147
Transportation & warehousing	139	160	147	141	168
Information services	22	21	*	*	*
Finance & insurance	120	110	102	103	107
Real estate	58	66	64	63	57
Professional & technical services	155	155	155	141	137
Management of companies	*	*	*	*	*
Administrative & waste services	59	58	50	57	75
Educational services	*	*	*	*	*
Healthcare & social services	594	574	785	815	911
Arts, entertainment & recreation	71	93	87	81	87
Accommodations and food services	684	691	719	716	724
Other services	111	112	101	88	84
Unclassified	*	*	*	*	*
Government	2,255	2,263	2,197	2,170	2,112
Total	7,515	7,623	7,666	7,640	7,681

* Non-disclosure of data due confidentiality

Note: Colums may not sum to the total because of non-disclosure data.

Source: New Mexico Dept. of Workforce Solutions

APPENDIX B

JUNE 30, 2014 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, 2014

Deming Public Schools
TABLE OF CONTENTS
June 30, 2014

	PAGE
INTRODUCTORY SECTION:	
Directory of officials	1
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	2-4
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis	5-17
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19-20
Fund Financial Statements:	
Balance Sheet--Governmental Funds	21-22
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	23
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Statements of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis):	
General Fund	27
Title I	28
Various State Grants	29
SB-9	30
Statement of Fiduciary Position and Liabilities-Agency Funds	31
Notes to Basic Financial Statements	32-63

OTHER SUPPLEMENTARY INFORMATION:

Fund Descriptions	64-67
Combining Balance Sheet--Nonmajor Governmental Funds	68-76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Nonmajor Governmental Funds	77-81
Combining Balance Sheet--General Fund	82-83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--General Fund	84-85
Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis):	
General Fund:	
Operational	86
Transportation	87
Instructional Materials	88
Non-instructional Support	89
Special Revenue Funds:	
IDEA B Risk Pool	90
Athletics	91
Title I Migrant Education	92
Preschool	93
Education of the Homeless	94
Carl Perkins	95
Enhancing Education Through Technology	96
Comprehensive School Reform	97
Title III	98
Reading First	99
Innovative Programs	100
English Language Acquisition	101
Teacher Training	102
Rural Education	103
IDEA B Competitive	104
Medicaid	105
ROTC	106
Immigrant Funding	107
Emergency Food	108
School Improvement	109
Child and Adult Food	110
Goals 2000	111
Title II	112
Emergency Immigrant	113
Reading Excellence	114
Teacher Quality	115
Discretionary	116
Emergency Response Plan	117

Entitlement 118
Fresh Fruits & Vegetables 119
Title I Stimulus 120
Gear Up 121
Education of Homeless Stimulus 122
Child Nutrition Stimulus 123
Safe & Drug Free Schools 124
Enhancing Education 125
Title I 1003G Grant 126
Cafeteria 127

Debt Service Funds:
Debt Service 128
Equipment Grant Debt Service 129

Capital Projects Funds:
Bond Building 130
Education Tech Equipment Grant 131

OTHER SUPPLEMENTAL DATA:

Schedule of Changes in Assets and Liabilities--Agency Funds 132
Schedule of Depository Collateral 133-136
Schedule of Individual Deposit Accounts and Investments 137-138
Schedule of Cash Receipts and Disbursements--All Funds by School District Classification 139-143

Schedule of Expenditures of Federal Awards 144-145
Notes to Schedule of Expenditures of Federal Awards 146

ADDITIONAL REPORTING REQUIREMENTS:

Summary Schedule of Prior Audit Findings 147

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* 148-149

Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 150-152

Schedule of Findings and Questioned Costs 153-157

Deming Public Schools
DIRECTORY OF OFFICIALS
June 30, 2014

BOARD OF EDUCATION

Dr. Andrew Hernandez	President
Ruben S. Torres	Vice-President
Ronald Wolfe	Secretary
Bayne Anderson	Member
John Sweetser	Member

SCHOOL OFFICIALS

Harvielee Moore	Superintendent
Ted Burr	Associate Superintendent of Finance

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, 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, 2014, 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, 2014, 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, 2014, 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, 2014, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, 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 3, 2014

DEMING PUBLIC SCHOOLS
Management Discussion and Analysis
For the Fiscal Year Ending June 30, 2014

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, 2013 and 2014. 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 Compliance on Internal Control (Governmental Accounting Standards), The Independent Auditor's Report on Compliance with Requirements Applicable in each Major Program (OMB 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 2013-2014 student membership of 5,337 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 declined for the 2013-2014 school year. District five year enrollment decreased 1.9 % while the state wide enrollment grew 2.3%.

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, 2013

- Cash assets increased $6,013,073 to $24,373,126.

- Accumulated depreciation has increased by $876,964 to $44,195,543 as of June 30, 2014 from $43,318,579 for June 30, 2013.

- Total revenues increased from $55,025,779 in the year ending June 30, 2013 to $55,702,853 in the year ending June 30, 2014. This is an increase of $677,074 or 1%.

- Total expenditures, inclusive of all capital expenditures from general obligation bond proceeds, increased from $55,368,884 for the year ending June 30 2013 to $59,512,842 for the year ending June 30 2014. This is an increase in expenditures of $4,143,958 or 7%. Increases in maintenance of buildings, capital outlay, support for students, support for instruction along with an increase of food services for year ended June 30, 2014 compared to June 30, 2013 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 of $90,907,643 and $96,525,846 as of June 30, 2013 and 2014, respectively. The School District cash assets as of June 30, 2014 increased by 33% to $24,373,126 due to a sale of $9.5 million of general obligation bonds. Accounts payable increased by 545% to $724,055 as of June 30, 2014 compared to June 30, 2013 accounts payable of $468,785. Accounts payable for FY 2014 is comprised of employee benefits obligated during June and due within 3 months. Net Position restricted for various purposes totaling $12,954,951 and $12,663,123 as of June 30, 2013 and 2014 respectively, decreased by 2%.

District, without Component Unit, Statement of Net Position

Assets	**June 30, 2013**	**June 30, 2014**
Cash Assets	18,360,053	24,373,126
All Other Current Assets	3,560,921	4,164,181
Capital Assets	112,305,248	112,184,082
Depreciation	(43,318,579)	(44,195,543)
Total Assets	**90,907,643**	**96,525,846**
Liabilities		
Accounts Payable	468,785	724,055
Other Current Liabilities	4,559,210	5,207,009
Long Term Liabilities	11,335,101	18,198,844
Total Liabilities	**16,363,096**	**24,129,908**
Net Position		
Invested in Capital Assets	57,665,921	57,420,624
Restricted	12,954,951	12,663,123
Unrestricted	3,923,675	2,312,191
Total Net Position	**74,544,547**	**72,395,938**

This statement includes accumulated depreciation of the School District's capital assets in the amount of $43,318,579 and $44,195,543 as of June 30, 2013 and 2014 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 $1,550,759 total net position compared to $1,391,631 as of June 30, 2013. This is an increase of $159,128 or 11%. The school charter was renewed for an additional 5 years during FY-12.

Componet Unit Statement of Net Position		
Assets	**June 30, 2013**	**June 30, 2014**
Cash Assets	1,087,643	1,169,924
All Other Current Assets	120,398	234,417
Improvements and Equipment	320,478	320,478
Less Accumulated Depreciation	(83,432)	(96,827)
Total Assets	**1,445,087**	**1,627,992**
Liabilities		
Accounts Payable	20,046	43,823
Deferred Revenue	33,410	38,410
Total Liabilities	**53,456**	**82,233**
Net Position		
Invested in Capital Assets	237,046	223,651
Restricted	25,569	25,569
Unrestricted	1,129,016	1,301,539
Total Net Position	**1,391,631**	**1,550,759**

Accounts payable were increased to $43,823 for June 30, 2014 from $20,046 as of June 30, 2013. Deferred Revenue of $38,410 and $33,410 as of June 30, 2014 and 2013, respectively, is advanced payments for Federal programs.

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, 2014. As of June 30, 2014 the School District, exclusive of the component unit, had total net position of $72,395,938 compared to $74,544,547 for 2013. Net position decreased $2,148,609 and increased $416,460 for the years ending June 30, 2014 and 2013, respectively. 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, 2013		June 30, 2014
Total Government Activities Expense	$ 54,771,711		$ 57,482,278
Charges For Services Revenue	790,499		730,145
Operating Grants and Contributions Revenue	15,758,056		15,181,413
Grants and Contributions Revenue	289,289		547,487
Net (Expenses) Revenues and			
Changes in Net Position	**$ (37,933,867)**		**$ (41,023,233)**
General Revenues			
Taxes –general, debt service	$ 4,089,501		$ 4,530,960
State aid	34,069,124		34,874,690
Investment earnings	48,157		32,005
Recoveries and refunds	143,545		10,282
Gain on disposition of assets	-		(507,223)
Total General Revenues & Special Item	**$ 38,350,327**		**$ 38,940,714**
Changes in Net Position	**$ 416,460**		**$ (2,082,519)**
Net Position beginning	74,128,087		74,478,457
Net Position – ending	**$ 74,544,547**		**$ 72,395,938**

The component unit net position increased by $176,810 and $159,128 for the years ending June 30, 2013 and 2014, respectively.

Component Unit Activities	June 30, 2013	June 30, 2014
Total Government Activities Expense	1,275,917	1,583,792
Net (Expenses) Revenues and		
Changes in Net Position	**(1,275,917)**	**(1,583,792)**
General Revenues		
State aid	1,421,418	1,462,790
Recoveries & Refunds	27,517	275,844
Miscellaneous	3,792	4,286
Total General Revenues & Special Item	**1,452,727**	**1,742,920**
Changes in Net Assets	**176,810**	**159,128**
Net Assets beginning	1,214,821	1,391,631
Net Assets – ending	1,391,631	1,550,759

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 $55,025,779, and $65,202,853 for fiscal years 2013 and 2014 respectively. FY 2014 revenue includes $9,500,000 proceeds from General obligation Bonds. Total expenditures for the School District were $55,368,884 and $59,512,842 for fiscal years 2013 and 2014 respectively. The total ending fund balance was $18,810,169 and $24,500,180 for fiscal years 2013 and 2014, respectively, an increase of $5,690,011.

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 %
2008/09	$61,629,766	0%	$61,040,084	-7%
2009/10	$58,294,540	-5%	$58,433,624	-4%
2010/11	$57,583,948	-1%	$55,282,977	-5%
2011/12	$55,590,775	-3%	$57,295,346	4%
2012/13	$55,025,779	-1%	$55,368,884	-3%
2013/14	$65,202,853	18%	$59,512,842	7%

* 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 2014, the General Fund, Title I, State Funds, SB-9, State Grants, Bond Building, and Other Funds. The June 30, 2013 report major funds were General Fund, Cafeteria, Title I, SB-9, State Grants, Education Technology, 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 2012 and 2014

	FY-13		FY-14		Increase (Decrease)	
General Fund	38,685,522	70%	39,898,097	72%	1,212,575	3%
Debt Service	2,860,116	5%	2,884,698	5%	24,582	1%
All Other	13,823,246	25%	16,730,047	30%	2,906,801	21%
Total	55,368,884	100%	59,512,842	100%	4,143,958	7%

The increase in All Other funds is due to increased expenditures for maintenance and capital outlay. The General Fund increased 3% from fiscal year 2013 to 2014. 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 60% of the School District's revenue for fiscal years 2013 and 2014, 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 2013 and 2014.

General Fund Expenditures by Functions

Function	FY 2013		FY 2014		Increase (Decrease)		
Instruction	22,072,728	57%	22,768,683	57%	695,955	3%	57%
Pupil & Instructional Support	6,219,260	16%	7,035,422	18%	816,162	13%	67%
Maintenance & Operations	5,579,780	14%	5,600,436	14%	20,656	0%	2%
Transportation	2,176,328	6%	2,300,550	6%	124,222	6%	10%
Administration & Business	2,637,426	7%	2,193,006	5%	(444,420)	-17%	-37%
Total	38,685,522	100%	39,898,097	100%	1,212,575	3%	100%

The percentage of the General Fund spent on the instruction function remained at 57% for fiscal year 2014. Pupil & Instructional Support increased for fiscal year 2014 $816,162 for 18% 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 increased $124,222 and is 6% 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 $444,420 to 5% of the total General Fund for fiscal year 2014.

Capital Assets

In the fiscal year ending June 30, 2014 the Statement of Revenues, Expenditures and Changes in Fund Balances shows the School District expended $2,493,014 for capital outlay. This is up from $1,195,640 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 purchase of land for a new 6th grade school, installation of stadium bleachers, and parking lots at school buildings. Building and improvements is offset by the transfer of buildings to the Village of Columbus. Furniture and equipment decrease is due to disposal of out dated computer equipment.

Capital assets:	**FY 2013**	**FY 2014**	**Changes**	
Land and improvements	$ 8,699,344	$ 9,175,396	$ 476,052	5%
Building and improvements	95,048,111	94,895,404	(152,707)	0%
Furniture and equipment	8,490,488	8,045,977	(444,511)	-5%
Construction in progress	67,305	-	(67,305)	
Less: Accumulated depreciation	(43,318,579)	(44,195,543)	(876,964)	2%
Total capital assets, net of depreciation	**$ 68,986,669**	**$ 67,921,234**	**$ (1,065,435)**	**-2%**

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, 2014.

Deming Public Schools General Obligation Bonds Projected Principal and Interest Payments			
Fiscal YR	Principal Payment	Interest Payment	Total Payments
2015	1,450,000	463,032	1,913,032
2016	2,600,000	482,350	3,082,350
2017	2,100,000	411,100	2,511,100
2018	1,900,000	344,975	2,244,975
2019	1,900,000	278,525	2,178,525
2020	1,650,000	215,063	1,865,063
2021	1,000,000	169,875	1,169,875
2022	650,000	147,063	797,063
2023	700,000	131,875	831,875
2024	600,000	117,250	717,250
2025	750,000	102,063	852,063
2026	850,000	84,063	934,063
2027	1,000,000	62,750	1,062,750
2028	1,000,000	38,500	1,038,500
2029	1,000,000	13,000	1,013,000
Total	$ 12,600,000	$ 2,364,919	$ 14,964,919

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	
FY-04	2,977.23	-	2,977.23	
FY-05	3,068.70	-	3,068.70	3%
FY-06	3,281.00	-	3,281.00	7%
FY-07	3,446.44	-	3,446.44	5%
FY-08	3,674.26	-	3,674.26	7%
FY-09	3,862.79	-	3,862.79	5%
FY-10	3,458.06	334.59	3,792.65	-2%
FY-11	3,556.14	139.29	3,695.43	-3%
FY-12	3,585.97	-	3,585.97	-3%
FY-13	3,668.18	-	3,668.18	2%
FY-14	3,817.55	-	3,817.55	4%

Until FY-10 the 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, 2013. The State has not maintained the unit value. Since FY-09 the unit value has the unit value has remained below FY-09 value of 3,862.79. Unit value for FY-15 increased to $4,005.75 exceeding the FY-09 amount.

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, Associate Superintendent 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, 2014

	Governmental Activities	Component Unit
Assets		
Cash and cash equivalents	$ 24,373,126	$ 1,169,924
Property taxes receivable	473,500	
Due from other governments	3,401,196	234,417
Interest receivable	65	
Inventory	286,468	
Notes receivable	2,952	
Capital assets:		
Construction in progress	67,305	
Land and improvements	9,175,396	
Buildings and improvements	94,895,404	
Equipment	8,045,977	320,478
Less accumulated depreciation	(44,195,543)	(96,827)
Total capital assets, net of depreciation	$ 67,988,539	$ 223,651
Total assets	$ 96,525,846	$ 1,627,992
Liabilities		
Cash overdraft	$ 2,173,523	$ -
Accounts payable	724,055	43,823
Long-term liabilities:		
Portion due or payable within one year:		
Bonds payable	2,715,000	
Accrued interest payable	163,312	
Portion due or payable after one year:		
Bonds payable	17,700,000	
Bonds premiums	103,431	
Compensated absences	395,413	
Total liabilities	$ 23,974,734	$ 43,823
Deferred Inflows of Resources		
Unavailable revenue	$ 155,174	$ 33,410
Total deferred inflows of resources	$ 155,174	$ 33,410
Net Position		
Net investment in capital assets	$ 57,420,624	$ 223,651
Restricted for:		
Capital projects	2,257,960	21,298
Debt service	3,431,273	
Other purposes	6,973,890	4,271
Unrestricted	2,312,191	1,301,539
Total net position	$ 72,395,938	$ 1,550,759

The accompanying notes are an integral part of these financial statements

Deming Public Schools
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Charges for Services
Governmental activities:		
Instruction	$ 30,550,300	$ 446,747
Support services - Students	4,981,923	
Support services - Instruction	1,425,332	
General administration	1,494,697	254,167
School administration	2,746,144	
Central services	1,322,594	
Operation of plant	8,145,550	12,133
Food services	3,785,800	17,098
Transportation	2,513,154	
Other support services	64,013	
Interest on long-term debt	452,771	
Total governmental activities	$ 57,482,278	$ 730,145
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
$ 6,415,346	$ -	$ (23,688,207)	$ (740,297)
1,212,386		(3,769,537)	(112,293)
282,711		(1,142,621)	
307,943		(932,587)	(63,407)
182,511		(2,563,633)	(331,134)
65,742		(1,256,852)	(101,783)
596,123	547,487	(6,989,807)	(132,254)
3,846,267		77,565	
2,272,384		(240,770)	
		(64,013)	(102,624)
		(452,771)	
$ 15,181,413	$ 547,487	$ (41,023,233)	$ (1,583,792)
		$ 265,599	$ -
		3,187,024	
		1,078,337	
		34,874,690	1,462,790
		(507,223)	
		10,282	275,844
		32,005	4,286
		$ 38,940,714	$ 1,742,920
		$ (2,082,519)	$ 159,128
		$ 74,544,547	$ 1,391,631
		(66,090)	-
		$ 74,478,457	$ 1,391,631
		(2,082,519)	159,128
		$ 72,395,938	$ 1,550,759

Deming Public Schools
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Title I	State Grants
Assets			
Cash and investments	$ 2,844,052	$ -	$ -
Property taxes receivable	18,422		
Interest receivable	64		
Notes receivable	2,952		
Inventory	197,730		
Due from other governments		1,015,482	825,548
Interfund receivable	161,300	780	1,136
Total assets	$ 3,224,520	$ 1,016,262	$ 826,684
Liabilities			
Cash overdraft	$ -	$ 841,702	$ 37,943
Accounts payable	407,921	13,260	
Interfund payable	5,564	161,300	39,524
Total liabilities	$ 413,485	$ 1,016,262	$ 77,467
Deferred Inflows of Resources			
Unavailable revenue	$ 16,131	$ -	$ 596,664
Total deferred inflows of resources	$ 16,131	$ -	$ 596,664
Fund balance:			
Nonspendable:			
Inventories	$ 197,730	$ -	$ -
Restricted for:			
Education			152,553
Food service			
Social services			
Capital projects			
Debt service			
Unassigned	2,597,174		
Total fund balances	$ 2,794,904	$ -	$ 152,553
Total liabilities, deferred inflows of resources and fund balances	$ 3,224,520	$ 1,016,262	$ 826,684

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

SB-9	Bond Building	Other Funds	Total Governmental Funds
$ 3,642,959	$ 10,153,612	$ 7,732,503	$ 24,373,126
65,318		389,760	473,500
	1		65
			2,952
		88,738	286,468
		1,560,166	3,401,196
39,524		119,543	322,283
$ 3,747,801	$ 10,153,613	$ 9,890,710	$ 28,859,590
$ -	$ -	$ 1,293,878	$ 2,173,523
7,755	94,687	200,432	724,055
		115,895	322,283
$ 7,755	$ 94,687	$ 1,610,205	$ 3,219,861
$ 43,940	$ -	$ 482,814	$ 1,139,549
$ 43,940	$ -	$ 482,814	$ 1,139,549
$ -	$ -	$ 88,738	$ 286,468
3,696,106		(830)	3,847,829
		2,363,833	2,363,833
		32,886	32,886
	10,058,926	2,046,119	12,105,045
		3,266,945	3,266,945
			2,597,174
$ 3,696,106	$ 10,058,926	$ 7,797,691	$ 24,500,180
$ 3,747,801	$ 10,153,613	$ 9,890,710	$ 28,859,590

Deming Public Schools

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

June 30, 2014

Total governmental fund balances	$	24,500,180
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.		67,988,539
Bond premiums are capitalized and amortized over the life of the bonds		(103,431)
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		384,786
Miscellaneous receivables subject to the 60 day availability period		2,925
Intergovernmental receivables subject to the 60 day availability period		596,664
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:		
Bonds payable		(20,415,000)
Accrued interest payable		(163,312)
Compensated absences payable		(395,413)
Net Position f Governmental Activities	$	72,395,938

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, 2014

	General Fund	Title I	State Grants	SB-9
Revenues:				
Property taxes	$ 258,798	$ -	$ -	$ 1,051,340
Fees and charges	437,630			
State aid	37,488,936		1,161,380	539,446
Federal aid	224,911	4,433,474		
Earnings on investments	4,081		941	14,499
Miscellaneous	11,421		351,500	
Total revenues	$ 38,425,777	$ 4,433,474	$ 1,513,821	$ 1,605,285
Expenditures:				
Current:				
Intstruction	$ 22,768,683	$ 3,428,347	$ 976,092	$ -
Support service - Students	3,503,868	424,917	42,235	
Support services - Instruction	1,082,943	142,905	75,806	
General administration	1,055,511	226,189	1,100	10,578
School administration	2,384,598	141,891	40,620	
Central services	1,137,495	65,742		
Operation of plant	5,600,436	371	319,358	1,372,178
Food service			41,433	
Transportation	2,300,550	3,112		
Other support services	64,013			
Debt service:				
Principal				
Interest				
Bond issue costs				
Capital outlay			291,713	1,110,946
Total expenditures	$ 39,898,097	$ 4,433,474	$ 1,788,357	$ 2,493,702
Revenues over (under) expenditures	$ (1,472,320)	$ -	$ (274,536)	$ (888,417)
Other financing sources (uses):				
Debt proceeds				
Transfer out				
Transfer in				
Net change in fund balances	$ (1,472,320)	$ -	$ (274,536)	$ (888,417)
Fund balance, July 1, 2013	4,267,224		427,089	4,584,523
Fund balance, June 30, 2014	$ 2,794,904	$ -	$ 152,553	$ 3,696,106

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

Bond Building	Other Funds	Total Governmental Funds
$ -	$ 3,099,112	$ 4,409,250
	67,604	505,234
	8,041	39,197,803
	6,433,416	11,091,801
6,706	5,778	32,005
	103,839	466,760
$ 6,706	$ 9,717,790	$ 55,702,853
$ -	$ 1,790,549	$ 28,963,671
	772,189	4,743,209
	64,000	1,365,654
	111,801	1,405,179
		2,567,109
		1,203,237
	524,976	7,817,319
	3,595,171	3,636,604
	617	2,304,279
		64,013
	2,480,000	2,480,000
	404,698	404,698
64,856		64,856
1,082,314	8,041	2,493,014
$ 1,147,170	$ 9,752,042	$ 59,512,842
$ (1,140,464)	$ (34,252)	$ (3,809,989)
9,500,000		9,500,000
		-
		-
$ 8,359,536	$ (34,252)	$ 5,690,011
1,699,390	7,831,943	18,810,169
$ 10,058,926	$ 7,797,691	$ 24,500,180

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, 2014

Net change in fund balances- total governmental funds	$	5,690,011
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		2,493,014
Depreciation expense		(2,983,921)
Bond and loan proceeds are reported as financing sources in the funds, In the Statement of Activities, however, issuing debt increased long term liabilities		(9,500,000)
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		121,710
Miscellaneous receivables subject to the 60 day availability period		(1,132)
Intergovernmental grants subject to the 60 day availability period		187,397
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets		2,480,000
Bond premiums are expenditures in the funds but are capitalized and amortized in the Statement of Activities:		
Bond premiums		(103,839)
Amortization		408
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.		(507,223)
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.		16,368
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.		24,688
Change in Net Position of Governmental Activities	$	(2,082,519)

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	$ 299,260	$ 299,260	$ 283,115	$ (16,145)
State sources	37,168,950	37,699,875	37,224,026	(475,849)
Local sources	655,103	655,103	708,805	53,702
Earnings on investments	8,475	8,475	4,079	(4,396)
Total revenues	$ 38,131,788	$ 38,662,713	$ 38,220,025	$ (442,688)
Expenditures:				
Current:				
Instruction	$ 23,564,713	$ 23,812,617	$ 22,840,655	$ 971,962
Support services - Students	3,606,599	3,606,599	3,527,516	79,083
Support services - Instruction	515,508	1,137,008	1,079,633	57,375
General administration	985,347	1,152,347	1,051,452	100,895
School administration	2,522,099	2,522,099	2,388,609	133,490
Central services	2,242,958	2,242,958	1,130,285	1,112,673
Operation of plant	5,659,193	5,659,193	5,183,913	475,280
Transportation	2,028,785	2,311,806	2,288,501	23,305
Other support services	92,117	92,117	51,108	41,009
Capital outlay	15,617	15,617	1,838	13,779
Total expenditures	$ 41,232,936	$ 42,552,361	$ 39,543,510	$ 3,008,851
Revenues over (under) expenditures	$ (3,101,148)	$ (3,889,648)	$ (1,323,485)	$ 2,566,163
Other financing sources (uses):				
Transfers in				-
Net change in fund balance	$ (3,101,148)	$ (3,889,648)	$ (1,323,485)	$ 2,566,163
Fund balance, July 1, 2013	3,101,148	3,889,648	4,328,837	439,189
Fund balance, June 30, 2014	$ -	$ -	$ 3,005,352	$ 3,005,352

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ (1,472,320)
Revenue accruals (net)	(205,752)
Expenditure accruals (net)	354,587
Net change in fund balance, NON-GAAP budgetary basis	$ (1,323,485)

The accompanying notes are an integral part of these financial statements

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	$ -	$ 6,112,529	$ 4,097,584	$ (2,014,945)
Expenditures:				
Current:				
Instruction	$ -	$ 4,227,500	$ 3,415,177	$ 812,323
Support services - Students		1,008,000	424,917	583,083
Support services - Instruction		165,044	142,905	22,139
General administration		312,010	226,189	85,821
School administration		162,000	141,891	20,109
Central services		219,952	65,742	154,210
Operation of plant		15,000	371	14,629
Transportation		3,023	3,022	1
Capital outlay				-
Total expenditures	$ -	$ 6,112,529	$ 4,420,214	$ 1,692,315
Net change in fund balance	$ -	$ -	$ (322,630)	$ (322,630)
Fund balance, July 1, 2013	-	-	(680,372)	(680,372)
Fund balance, June 30, 2014	$ -	$ -	$ (1,003,002)	$ (1,003,002)

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ -
Revenue accruals (net)	(335,890)
Expenditure accruals (net)	13,260
Net change in fund balance, NON-GAAP budgetary basis	$ (322,630)

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	$ 311,527	$ 1,818,012	$ 1,209,865	$ (608,147)
Local sources	781,191	781,191	351,500	(429,691)
Earnings on investments			941	941
Total revenues	$ 1,092,718	$ 2,599,203	$ 1,562,306	$ (1,036,897)
Expenditures:				
Current:				
Instruction	$ 395,367	$ 1,458,903	$ 976,092	$ 482,811
Support services - Students	66,535	77,531	42,235	35,296
Support services - Instruction	60,971	108,306	75,806	32,500
General administration		2,297	1,100	1,197
School administration	2,297	43,100	40,620	2,480
Operational plant maintenance	567,548	573,648	319,357	254,291
Food service		43,704	41,433	2,271
Capital outlay		291,714	291,714	-
Total expenditures	$ 1,092,718	$ 2,599,203	$ 1,788,357	$ 810,846
Net change in fund balance	$ -	$ -	$ (226,051)	$ (226,051)
Fund balance, July 1, 2013	-	-	188,108	188,108
Fund balance, June 30, 2014	$ -	$ -	$ (37,943)	$ (37,943)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			$ (274,536)	
Revenue accruals (net)			48,485	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			$ (226,051)	

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

Deming Public Schools

SPECIAL REVENUE FUND - SENATE BILL 9

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

For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	$ 1,040,545	$ 1,040,545	$ 1,057,762	$ 17,217
State sources	907,437	907,437	539,446	(367,991)
Earnings on investments	20,077	20,077	12,071	(8,006)
Total revenues	$ 1,968,059	$ 1,968,059	$ 1,609,279	$ (358,780)
Expenditures:				
Current:				
General administration	$ 15,608	$ 15,608	$ 10,578	$ 5,030
Operational plant maintenance	2,162,522	2,162,522	1,412,063	750,459
Capital outlay	4,688,383	4,688,383	1,093,168	3,595,215
Total expenditures	$ 6,866,513	$ 6,866,513	$ 2,515,809	$ 4,350,704
Net change in fund balance	$ (4,898,454)	$ (4,898,454)	$ (906,530)	$ 3,991,924
Fund balance, July 1, 2013	4,898,454	4,898,454	4,547,061	(351,393)
Fund balance, June 30, 2014	$ -	$ -	$ 3,640,531	$ 3,640,531

Budgetary reconciliation:	
Net change in fund balance, GAAP basis	$ (888,417)
Revenue accruals (net)	3,994
Expenditure accruals (net)	(22,107)
Other financing uses (net)	
Net change in fund balance, NON-GAAP budgetary basis	$ (906,530)

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

Deming Public Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

	Primary Government Agency	Component Unit Agency
Assets		
Cash and investments	$ 132,460	$ 2,612
Total assets	$ 132,460	$ 2,612
Liabilities		
Deposits held for others	$ 132,460	$ 2,612
Total liabilities	$ 132,460	$ 2,612

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.

SB-9 – created by state law to account for the District tax levy restricted solely for use in improvements to the physical plant (NMSA 1978 22-25-1). This 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.

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 Government had no items that qualify for reporting in this category.

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 Government has four 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 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 Government reports unavailable revenue from the following sources:

	Governmental Funds Balance Sheet					
	Statement of net Position	General Fund	State Funds	SB-9 Fund	Other Funds	Total
Advances received under expenditure driven grants	$155,174	$ -0-	$ -0-	$ -0-	$155,174	$ 155,174
Property taxes		13,206		43,940	327,640	384,786
Long-term notes Receivable		2,925				2,925
Grant revenues	-0-	-0-	596,664	-0-	-0-	596,664
Total	$155,174	$ 16,131	$596,664	$ 43,940	$482,814	$ 1,139,549

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:

- Nonspendable 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, 2014 was $4.93 per $1,000 for non-residential property and $4.92 for residential property. The District's tax rate for debt service was $3.378 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 $2.00 for nonresidential property. The District's tax rate for education technology debt was $2.533 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 government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2014 $8,062,130 of the government bank balance of $27,362,627 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 8,062,130

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 $708,057 on deposit in the pool at June 30, 2014, which is AAAm rated with a weighted average maturity of 48.6 days.

Note 3 Investments

At June 30, 2014, the District had the following investments:

Investment Type	Amortized Cost	Fair Value	Weighted Average Maturity (Months)
U.S. Government Money Market	$ 1,552,416	$ 1,552,416	N/A
Certificates of Deposit	500,000	500,000	N/A
Total investments	$ 2,052,416	$ 2,052,416	

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 76% invested in U.S. Government securities, and 24% 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, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:				
Land	$ 2,357,388	$ 278,683	$ 238	$ 2,635,833
Construction in progress	67,305			67,305
Total assets not being depreciated	$ 2,424,693	$ 278,683	$ 238	$ 2,703,138
Other capital assets:				
Buildings/improvements	$ 95,048,111	$ 1,467,106	$ 1,619,813	$ 94,895,404
Land improvements	6,341,956	197,607		6,539,563
Furniture and equipment	8,490,488	549,618	994,129	8,045,977

Total other capital assets at historical cost	$109,880,555	$ 2,214,331	$ 2,613,942	$ 109,480,944
Less accumulated depreciation for:				
Buildings/improvements	$ (33,887,972)	$ (2,371,001)	$ 1,112,828	$ (35,146,145)
Land improvements	(1,968,218)	(269,270)	-0-	(2,237,488)
Furniture and equipment	(7,462,389)	(343,650)	994,129	(6,811,910)
Total accumulated depreciation	$ (43,318,579)	$ (2,983,921)	$ (2,106,957)	$ (44,195,543)
Other capital assets, net	$ 66,561,976	$ (769,590)	$ (506,985)	$ 65,285,401
Total capital assets, net	$ 68,986,669	$ (490,907)	$ (507,223)	$ 67,988,539

Depreciation expense was charged to the governmental activities as follows:

Instruction	$ 1,611,317
Support Services – Students	238,714
Support Services – Instruction	59,678
General Administration	89,518
School Administration	179,035
Central Services	119,357
Operation of plant	328,231
Food Services	149,196
Transportation	208,875
	$ 2,983,921

The District has future construction commitments of approximately $100,000, for projects underway at June 30, 2014. 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, 2014:

	Balance July 1, 2013	Additions	Deletion	Balance June 30, 2014	Due In One Year
G.O. Bonds, series 2014	$ -0-	$9,500,000	$	$ 9,500,000	$ -0-
G.O. Bonds, series 2003	2,050,000	-0-	750,000	1,300,000	700,000
Compensated absences payable	420,101	224,247	248,934	395,414	-0-
G.O. Bonds, series 2006	3,800,000	-0-	400,000	3,400,000	400,000
G.O. Bonds, series 2007	5,200,000	-0-	250,000	4,950,000	350,000
Ed Tech Certificate	2,345,000		1,080,000	1,265,000	1,265,000
	$13,815,101	$9,724,247	$ 2,728,934	$ 20,810,414	$ 2,715,000

Annual debt service for bonds payable requirements are as follows:

Due in fiscal year ending June 30:

	Principal	Interest
2015	$ 2,715,000	$ 472,518
2016	2,600,000	482,350
2017	2,100,000	411,100
2018	1,900,000	344,975
2019	1,900,000	278,525
2020-2024	4,600,000	781,125
2025-2029	4,600,000	300,375
	$ 20,415,000	$ 3,070,968

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 revenues pledged totaled $1,274,487 at June 30, 2014, and equal 100% of the tax levies enacted to repay the debt. Maturity dates are in fiscal years ending June 30, 2014, and 2015. The property tax levies expire when the related debt is repaid.

During the year ended June 30, 2014, the District recognized $1,316,706 in property taxes pledged to retire the debt, and retired $1,108,248 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 $22,211,481 at June 30, 2014, 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, 2014, the District recognized $1,782,406 in property taxes pledged to retire the bonded indebtedness, and retired $1,776,451 in bond principal and interest.

Note 6 Retirement Plan

Plan Description

Substantially all of the Deming Public Schools full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) 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 (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. That report is also available on ERB's website at www.nmerb.org.

Member Contributions

Plan members whose annual salary is $20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over $20,000 are required to make the following contributions to the Plan: 10.10% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In fiscal year 2014, the Deming Public Schools were required to contribute 13.15% of the gross covered salary for employees whose annual salary is $20,000 or less, and 10.10% of the gross covered salary for employees whose annual salary is more than $20,000.

In the future, Deming Public Schools will contribute the following percentages of the gross covered salary of employees: 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the Deming Public Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Deming Public School's contributions to ERB for the fiscal years ending June 30, 2014, 2013, and 2012, were $6,225,914, $5,471,646, and $5,587,272, respectively, which equal the amount of the required contributions for each fiscal year.

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, 2014, 2013, and 2012 were $545,131, $549,154, and $507,781, 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.

During the year ending June 30, 2015, the District will be required to report a material liability for pension plan participation, due to the adoption of new reporting standards. Currently, the amount is not estimable.

Note 10 Deficit Fund Balance

The District had the following deficit fund balances at June 30, 2014. 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.

Athletics	$ (830)

Note 11 Inter-fund Activity

Inter-fund balances at June 30, 2014, consisted of the following:

	Inter-fund Payable				
	State Grants	General	Title I	Other Funds	Total
Inter-fund Receivable					
Title I	$	$	$	$ 780	$ 780
Cafeteria				-0-	-0-
General			161,300		161,300
SB-9	39,524				39,524
State Grants				1,136	1,136
Other Funds		5,564		113,979	119,543
	$ 39,524	$ 5,564	$ 161,300	$ 115,895	$ 322,283

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, 2014, there were no transfers between funds.

Note 12 Restricted Net Position

At June 30, 2014, net position restricted for other purposes included the following balances in special revenue funds:

SB-9	$3,740,046
Cafeteria	2,447,492
State Grants	749,217
Medicaid	32,886
Athletics	(830)
Fresh Fruits	5,079
	$6,973,890

The District reports $12,663,123 in restricted net position, of which $12,663,123 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, 2014:

Land	$ 5,000
Buildings	683,183
	$ 688,183
Less accumulated depreciation	(679,696)
Net position	$ 8,487

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, 2014.

Note 14 Evaluation of Subsequent Events

The District has evaluated subsequent events through November 3,, 2014, the date which the financial statements were available to be issued.

Note 15 Restatement

During the fiscal year ended June 30, 2014, the District adopted GASBS No. 65, which created additional net position and balance sheet categories as explained in Note 1.

As a part of this statement, costs associated with the sale of bonds or loan acquisition are no longer capitalized, but are expensed as incurred. This results in the District being required to restate its government-wide net position at July 1, 2013, by he amount of previously capitalized bond costs.

Unamortized bond issue costs, June 30, 2013	$ 66,090

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.
JOHN F. KENNEDY
M. KAREN KILGORE
SANDRA J. BRINCK
PATRICIA SALAZAR IVES
AARON J. WOLF
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JACQUELYN ARCHULETA-STAEHLIN
JULIE A. WITTENBERGER
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PATRICK T. ORTIZ
CHARLES V. GARCIA
ARTURO L. JARAMILLO

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

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YOUNG-JUN (JUN) ROH
NANCY V. NIETO
DAVID A. RICHTER
GABRIELA M. STEWART
LAURA M. CASTILLE

OF COUNSEL:
RAMON VIGIL, JR.
CHERYL D. FAIRBANKS

REPLY TO SANTA FE OFFICE

_____, 2015

An opinion in substantially the following form will be delivered by Cuddy & McCarthy, LLP, Bond Counsel, upon delivery of the Bonds, assuming no material changes in facts or law.

$_____

DEMING PUBLIC SCHOOL DISTRICT NO. 1
GENERAL OBLIGATION SCHOOL AND REFUNDING BONDS
SERIES 2015

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 and Refunding Bonds, Series 2015 ("Bonds") in the aggregate principal amount of $_____. 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.

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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. 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

M^CCALL, 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.*]

$_____
DEMING PUBLIC SCHOOL DISTRICT NO. 1
GENERAL OBLIGATION SCHOOL AND REFUNDING BONDS
SERIES 2015

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 and Refunding Bonds, Series 2015 in the aggregate principal amount of $_____ (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 "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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,