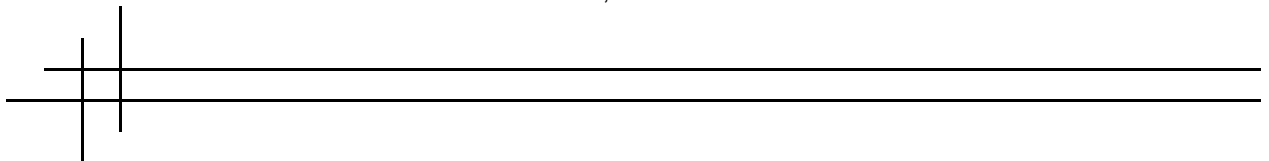


STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL

ANNUAL FINANCIAL REPORT
June 30, 2010

De'Aun Willoughby CPA, PC
Certified Public Accountant
Melrose, New Mexico



STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
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 For the Year Ended June 30, 2010

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STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
Official Roster
For the Year Ended June 30, 2010

BOARD OF EDUCATION

Theresa Ludvigson	President
Peggy Chung	Sectary
James Cederlof	Member
Maria Gonzalez	Member
Rob Watt	Member

SCHOOL OFFICIALS

Karen Quintana Shannon	Business Manager
Tobie Baker Navarre	Head Teacher

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the ROOTS & WINGS COMMUNITY SCHOOL

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general funds and major special revenue funds of ROOTS & WINGS COMMUNITY SCHOOL, (School), as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the School's nonmajor governmental and the budgetary comparisons for all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity 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 of the School as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2010, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The School has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and the combining and individual financial statements and budgetary comparisons presented as supplemental information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De'Aun Willoughby, CPA PC

November 1, 2010

FINANCIAL SECTION

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
 Government-Wide Statement of Net Assets
 June 30, 2010

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 60,665
Due from Grantor	24,575
Total Current Assets	<u>85,240</u>
Noncurrent Assets	
Capital Assets	95,784
Less: Accumulated Depreciation	<u>(61,259)</u>
Total Noncurrent Assets	<u>34,525</u>
Total Assets	<u>119,765</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>0</u>
Total Current Liabilities	<u>0</u>
Total Liabilities	<u>0</u>
NET ASSETS	
Invested in Capital Assets	34,525
Unrestricted	<u>85,240</u>
Total Net Assets	<u>\$ 119,765</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 321,425	\$ 0	\$ 58,551	\$ 0	\$ (262,874)
Support Services-Students	11,595	0	11,573	0	(22)
Support Services-Instruction	8,365	0	0	0	(8,365)
General Administration	44,785	0	0	0	(44,785)
Central Services	46,630	0	0	0	(46,630)
Operation of Plant	112,340	0	0	0	(112,340)
Total Governmental Activities	<u>545,140</u>	<u>0</u>	<u>70,124</u>	<u>0</u>	<u>(475,016)</u>
General Revenues					
Federal and State aid not restricted to specific purpose					450,760
General					269
Interest and investment earnings					4,554
Miscellaneous					<u>4,554</u>
Subtotal, General Revenues					<u>455,583</u>
Change in Net Assets					(19,433)
Net Assets - beginning					<u>139,198</u>
Net Assets - ending					<u>\$ 119,765</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2010

	General Fund		Special Revenue
	Operational 11000	Instructional Materials 14000	IDEA B 24106
ASSETS			
Cash and Cash Equivalents	\$ 60,653	\$ 12	\$ 0
Receivables			
Interfund Balance	24,575	0	0
Due from Grantor	0	0	7,940
Total Assets	<u>\$ 85,228</u>	<u>\$ 12</u>	<u>\$ 7,940</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	7,940
Total Liabilities	<u>0</u>	<u>0</u>	<u>7,940</u>
Fund Balances			
Reserved:			
Special Revenue	0	0	0
Unreserved, Undesignated, reported in:			
General Fund	<u>85,228</u>	<u>12</u>	<u>0</u>
Total Fund Balances	<u>85,228</u>	<u>12</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 85,228</u>	<u>\$ 12</u>	<u>\$ 7,940</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2010

	Special Revenue		
	IDEA B Recovery Act 24206	State Fiscal Stabilization Program Fund 25250	Other Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Interfund Balance	0	0	0
Due from Grantor	5,466	9,043	2,126
Total Assets	<u>\$ 5,466</u>	<u>\$ 9,043</u>	<u>\$ 2,126</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	5,466	9,043	2,126
Total Liabilities	<u>5,466</u>	<u>9,043</u>	<u>2,126</u>
Fund Balances			
Reserved:			
Special Revenue	0	0	0
Unreserved, Undesignated, reported in:			
General Fund	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 5,466</u>	<u>\$ 9,043</u>	<u>\$ 2,126</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2010

	<u>Total Governmental Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 60,665
Receivables	
Interfund Balance	24,575
Due from Grantor	24,575
Total Assets	<u>\$ 109,815</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 0
Interfund Balance	24,575
Total Liabilities	<u>24,575</u>
 Fund Balances	
Reserved:	
Special Revenue	0
Unreserved, Undesignated, reported in:	
General Fund	85,240
Total Fund Balances	<u>85,240</u>
 Total Liabilities and Fund Balances	 <u>\$ 109,815</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2010

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

Total Fund Balance - Governmental Funds		\$	85,240
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
	The cost of capital assets	\$	95,784
	Accumulated depreciation is		<u>(61,259)</u>
			<u>34,525</u>
Total net assets - governmental activities		\$	<u><u>119,765</u></u>

The notes to the financial statements are an integral part of this statement..

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2010

	General Fund		Special Revenue
	Operational	Instructional	IDEA B
	11000	Materials 14000	24106
Revenues			
Interest Income	\$ 263	\$ 6	\$ 0
State & Local Grants	415,974	11,528	0
Federal Grants	0	0	7,940
Miscellaneous	4,554	0	0
Total Revenues	<u>420,791</u>	<u>11,534</u>	<u>7,940</u>
Expenditures			
Current			
Instruction	259,188	11,510	2,636
Support Service-Students	22	0	5,304
Support Services-Instruction	8,210	12	0
Support Service-General Administration	44,785	0	0
Central Services	46,630	0	0
Operation & Maintenance of Plant	75,310	0	0
Total Expenditures	<u>434,145</u>	<u>11,522</u>	<u>7,940</u>
Excess (Deficiency) of Revenues Over Expenditures	(13,354)	12	0
Fund Balances at Beginning of Year	<u>98,582</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 85,228</u>	<u>\$ 12</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2010

	Special Revenue		
	IDEA B Recovery Act 24206	State Fiscal Stabilization Program Fund 25250	Other Governmental Funds
Revenues			
Interest Income	\$ 0	\$ 0	\$ 0
State & Local Grants	0	0	36,922
Federal Grants	8,118	40,248	154
Miscellaneous	0	0	0
Total Revenues	8,118	40,248	37,076
Expenditures			
Current			
Instruction	2,003	40,248	2,136
Support Service-Students	6,115	0	154
Support Services-Instruction	0	0	143
Support Service-General Administration	0	0	0
Central Services	0	0	0
Operation & Maintenance of Plant	0	0	34,786
Total Expenditures	8,118	40,248	37,219
Excess (Deficiency) of Revenues Over Expenditures	0	0	(143)
Fund Balances at Beginning of Year	0	0	143
Fund Balance End of Year	\$ 0	\$ 0	\$ 0

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
 GOVERNMENTAL FUNDS
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2010

	Total Governmental Funds
	<u> </u>
Revenues	
Interest Income	\$ 269
State & Local Grants	464,424
Federal Grants	56,460
Miscellaneous	4,554
Total Revenues	<u> 525,707</u>
Expenditures	
Current	
Instruction	317,721
Support Service-Students	11,595
Support Services-Instruction	8,365
Support Service-General Administration	44,785
Central Services	46,630
Operation & Maintenance of Plant	110,096
Total Expenditures	<u> 539,192</u>
Excess (Deficiency) of Revenues Over Expenditures	(13,485)
Fund Balances at Beginning of Year	<u> 98,725</u>
Fund Balance End of Year	<u><u> 85,240</u></u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

Reconciliation of the Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

To the Statement of Activities

June 30, 2010

Excess (Deficiency) of Revenues Over Expenditures in Fund Balance-
Governmental Funds \$ (13,485)

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

Capital outlays to purchase or build capital assets are reported
in governmental funds as expenditures. However, for
governmental activities those costs are shown in the statement
of net assets and allocated over their estimated useful lives as
annual depreciation expenses in the statement of activities.

Depreciation expense	\$ (5,948)	
Capital Outlay	<u>0</u>	<u>(5,948)</u>

Change in Net Assets of Governmental Activities \$ (19,433)

The notes to the financial statements are an integral part of this statement..

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

GENERAL FUND-OPERATIONAL-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Interest Income	\$ 500	\$ 500	\$ 263	\$ (237)
State & Local Grants	402,211	415,974	415,974	0
Miscellaneous	0	4,554	4,554	0
Total Revenues	<u>402,711</u>	<u>421,028</u>	<u>420,791</u>	<u>(237)</u>
Expenditures				
Instruction				
Personnel Services	119,415	147,181	138,777	8,404
Employee Benefits	59,002	71,102	50,333	20,769
Professional & Tech Services	7,300	16,887	12,924	3,963
Purchased Property Services	2,500	2,242	948	1,294
Other Purchased Services	925	18,332	18,313	19
Supplies	1,815	23,934	11,846	12,088
Supply Assets	0	44,330	26,047	18,283
Total Instruction	<u>190,957</u>	<u>324,008</u>	<u>259,188</u>	<u>64,820</u>
Support Services-Students				
Professional & Tech Services	0	8,822	22	8,800
Total Support Services- Students	<u>0</u>	<u>8,822</u>	<u>22</u>	<u>8,800</u>
Support Services-Instruction				
Personnel Services	17,000	0	0	0
Employee Benefits	7,259	0	0	0
Professional & Tech Services	1,500	4,984	4,981	3
Purchased Property Services	0	0	0	0
Supplies	0	683	683	0
Supply Assets	0	2,547	2,546	1
Total Support Services- Instruction	<u>25,759</u>	<u>8,214</u>	<u>8,210</u>	<u>4</u>
Support Services-General Administration				
Personnel Services	16,000	21,000	20,174	826
Employee Benefits	12,708	4,618	8,093	(3,475)
Professional & Tech Services	3,550	15,455	9,232	6,223
Other Purchased Services	2,300	5,951	4,532	1,419
Supplies	300	1,763	1,662	101
Supply Assets	0	3,300	1,092	2,208
Total Support Services-General Administration	<u>\$ 34,858</u>	<u>\$ 52,087</u>	<u>\$ 44,785</u>	<u>\$ 7,302</u>

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

GENERAL FUND-OPERATIONAL-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Central Services				
Professional & Tech Services	\$ 40,000	\$ 40,500	\$ 40,500	\$ 0
Supplies	5,500	6,220	5,447	773
Supply Assets	500	1,955	682	1,273
Total Central Services	<u>46,000</u>	<u>104,062</u>	<u>46,629</u>	<u>2,046</u>
Operation & Maintenance of Plant				
Personnel Services	4,000	4,000	4,000	0
Employee Benefits	9,588	8,709	2,234	6,475
Purchased Property Services	92,040	45,303	49,998	(4,695)
Other Purchased Services	4,009	4,094	4,090	4
Supplies	500	1,300	1,120	180
Supply Assets	0	14,398	13,869	529
Total Operation & Maintenance of Plant	<u>110,137</u>	<u>77,804</u>	<u>75,311</u>	<u>2,493</u>
Total Expenditures	<u>407,711</u>	<u>574,997</u>	<u>434,145</u>	<u>85,465</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,000)	(153,969)	(13,354)	140,615
Cash Balance Beginning of Year	<u>98,582</u>	<u>98,582</u>	<u>98,582</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 93,582</u>	<u>\$ (55,387)</u>	<u>\$ 85,228</u>	<u>\$ 140,615</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ (13,354)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (13,354)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

GENERAL FUND-INSTRUCTIONAL MATERIALS-14000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Interest Income	\$ 0	\$ 0	\$ 6	\$ 6
State & Local Grants	6,399	20,774	16,151	(4,623)
Total Revenues	<u>6,399</u>	<u>20,774</u>	<u>16,157</u>	<u>(4,617)</u>
Expenditures				
Instruction				
Supplies	1,776	16,139	11,510	4,629
Total Instruction	<u>1,776</u>	<u>16,139</u>	<u>11,510</u>	<u>4,629</u>
Support Services-Instruction				
Supplies	0	12	12	0
Total Support Services- Instruction	<u>0</u>	<u>12</u>	<u>12</u>	<u>0</u>
Total Expenditures	<u>1,776</u>	<u>16,151</u>	<u>11,522</u>	<u>4,629</u>
Excess (Deficiency) of Revenues Over Expenditures	4,623	4,623	4,635	12
Cash Balance Beginning of Year	<u>(4,623)</u>	<u>(4,623)</u>	<u>(4,623)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12</u>	<u>\$ 12</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 4,635	
Net change in Due from Grantor			<u>(4,623)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 12</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

SPECIAL REVENUE FUND-IDEA B-24106

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grants	\$ 0	\$ 7,939	\$ 0	\$ (7,939)
Total Revenues	<u>0</u>	<u>7,939</u>	<u>0</u>	<u>(7,939)</u>
Expenditures				
Instruction				
Supplies	0	1,778	1,778	0
Supply Assets	0	858	858	0
Total Instruction	<u>0</u>	<u>2,636</u>	<u>2,636</u>	<u>0</u>
Support Services-Students				
Personnel Services	0	3,627	3,627	0
Employee Benefits	0	333	333	0
Professional & Tech Services	0	1,343	1,343	0
Total Support Services- Students	<u>0</u>	<u>5,303</u>	<u>5,303</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>7,939</u>	<u>7,939</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(7,939)	(7,939)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (7,939)</u>	<u>\$ (7,939)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (7,939)	
Net change in Due from Grantor			<u>7,939</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

SPECIAL REVENUE FUND-IDEA B-RECOVERY ACT-24206

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grants	\$ 0	\$ 8,118	\$ 2,651	\$ (5,467)
Total Revenues	<u>0</u>	<u>8,118</u>	<u>2,651</u>	<u>(5,467)</u>
Expenditures				
Instruction				
Supplies	0	2,003	2,003	0
Total Instruction	<u>0</u>	<u>2,003</u>	<u>2,003</u>	<u>0</u>
Support Services-Students				
Professional & Tech Services	0	6,115	6,115	0
Total Support Services- Students	<u>0</u>	<u>6,115</u>	<u>6,115</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>8,118</u>	<u>8,118</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(5,467)	(5,467)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,467)</u>	<u>\$ (5,467)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (5,467)	
Net change in Due from Grantor			<u>5,467</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

SPECIAL REVENUE FUND-STATE FISCAL STABILIZATION PROGRAM FUND-25250

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grants	\$ 36,923	\$ 40,249	\$ 31,205	\$ (9,044)
Total Revenues	<u>36,923</u>	<u>40,249</u>	<u>31,205</u>	<u>(9,044)</u>
Expenditures				
Instruction				
Personnel Services	36,923	40,249	40,248	1
Total Instruction	<u>36,923</u>	<u>40,249</u>	<u>40,248</u>	<u>1</u>
Total Expenditures	<u>36,923</u>	<u>40,249</u>	<u>40,248</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(9,043)	(9,043)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (9,043)</u>	<u>\$ (9,043)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (9,043)	
Net change in Receivables			<u>9,043</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

ROOTS AND WINGS COMMUNITY SCHOOL

Notes to the Financial Statements

June 30, 2010

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the ROOTS & WINGS COMMUNITY SCHOOL (School) a component unit of Questa Independent Schools, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

Financial Reporting Entity

The School has been in existence since August 2001 and is currently operating under the provisions of the Public School Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The School operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the School is considered a component unit, since its budget is approved by Questa Independent Schools District No. 9 elected officials. GASB Statement No. 14 defines a component unit as who is not fiscally independent meaning that the School may not, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The School has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected School members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the School has a significant relationship.

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the School are classified into the governmental category. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Governmental Funds

Governmental funds are used to account for the School's general government activities, including the collection and disbursement of specific or legally restricted monies and the acquisition or construction of capital assets.

General Fund - The General Fund is the general operating fund of the School and accounts for all revenues and expenditures of the School not encompassed within other funds.

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

ROOTS AND WINGS COMMUNITY SCHOOL

Notes to the Financial Statements

June 30, 2010

Capital Projects Fund - The Capital Projects Fund is used to account for the resources to rent the capital facilities used by the School.

Major Funds

The School reports the following major governmental funds:

GENERAL FUND (11000)(14000)

The General Fund consist of three sub funds. The first is the operational fund of the School and accounts for all revenues and expenditures of the School not encompassed within other funds. The Instructional Materials fund accounts for a state grant to provide text books for students in the School.

MAJOR SPECIAL REVENUE FUND

IDEA B (24106). To account for a program funded by a Federal grant to assist the School in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

IDEA, Part B Recovery Act (24206). To account for a program funded by a Federal grant to assist the School in providing free appropriate public education to all handicapped children. Funding authorized by the American Recovery and Reinvestment Act of 2009. The fund was created by the authority of federal grant provisions.

State Fiscal Stabilization Program Fund (25250). The objectives of this grant are to support and restore funding for elementary and secondary education, to avoid reductions in budgets for education and other essential services in exchange for a commitment to advance essential education reforms. The fund was created by grant provisions.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the School's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the School's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions which includes federal grants for special education and stimulus funds , and 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the School-wide financial statements.

Revenues

Entitlement and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, the susceptible to accrual criteria have been met and all of the eligibility requirements have been met.

Other receipts become measurable and available when cash is received by the School and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

The School follows the following procedures in establishing data reflected in the financial statements:

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the School for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the School shall contain headings and details as prescribed by law.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

Notes to the Financial Statements

June 30, 2010

2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the School for the ensuing fiscal year.
3. The "operating" budget will be used by the School until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The School shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No board member or officer or employee of the School shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the School and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the School has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Cash and Cash Equivalents

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

The School is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the School may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

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ROOTS AND WINGS COMMUNITY SCHOOL

Notes to the Financial Statements

June 30, 2010

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the School as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on 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.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet. There are no outstanding Capital Leases.

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The School does not have any activity in short-term debt.

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Notes to the Financial Statements

June 30, 2010

Long-Term Liabilities

For School-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Reserved fund balance indicates that portion of fund equity which has been segregated for specific purposes.

Unreserved fund balance indicates that portion of fund equity which is available for budgeting in future periods.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Deferred Revenue

The School reports deferred revenues on its Statement of Net Assets and Fund Balance Sheet. Deferred revenues arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the School has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Compensated Absences

The School contracts all employees on an annual basis. A terminated employee is paid through the date of dismissal in accordance with their contract. Due to this practice, there are no compensated absences accrued.

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.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
 Notes to the Financial Statements
 June 30, 2010

NOTE B: DEPOSITS AND INVESTMENTS

The School is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

First Community Bank	Balance	Reconciled	
<u>Name of Account</u>	Per Bank	Balance	Type
	06-30-10		
Roots and Wings	\$ 112,715	\$ 60,665	Checking
TOTAL Deposited	112,715	<u>60,665</u>	
Less: FDIC Coverage	(112,715)		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	<u>\$ 0</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

Custodial Credit Risk-Deposits

<u>Depository Account</u>	Bank
	Balance
Insured	\$ 112,715
Collateralized:	
Collateral held by the pledging bank in	
School's name	0
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 112,715</u>

Custodial credit risk is the risk that 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 custodial credit risk. As of June 30, 2010 none of the School's bank balance of \$112,715 was exposed to custodial credit risk.

NOTE C: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable</u>	<u>Payable Funds</u>			
Fund	IDEA B	IDEA B	State Fiscal	Other
	24106	Recovery Act	Stabilization	Governmental
	24106	24206	Fund Program	Funds
	25250			
General Fund	\$ 7,940	\$ 5,466	\$ 9,043	\$ 2,126
Totals	<u>\$ 7,940</u>	<u>\$ 5,466</u>	<u>\$ 9,043</u>	<u>\$ 2,126</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the General Fund. All transactions will be repaid within one year.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
Notes to the Financial Statements
June 30, 2010

NOTE D: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2010, is as follows:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 0	\$ 0	\$ 0	\$ 0
Total Capital Assets not being Depreciated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets, being Depreciated				
Buildings & Improvements	7,860	0	0	7,860
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>87,924</u>	<u>0</u>	<u>0</u>	<u>87,924</u>
Total Capital Assets, being Depreciated	<u>95,784</u>	<u>0</u>	<u>0</u>	<u>95,784</u>
Total Capital Assets	<u>95,784</u>	<u>0</u>	<u>0</u>	<u>95,784</u>
Less Accumulated Depreciation				
Buildings & Improvements	13,723	2,244	0	15,967
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>41,588</u>	<u>3,704</u>	<u>0</u>	<u>45,292</u>
Total Accumulated Depreciation	<u>55,311</u>	<u>5,948</u>	<u>0</u>	<u>61,259</u>
Capital Assets, net	<u>\$ 40,473</u>	<u>\$ (5,948)</u>	<u>\$ 0</u>	<u>\$ 34,525</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 5,948
Total depreciation expenses	<u>\$ 5,948</u>

NOTE E: PENSION PLAN

Substantially all of the School's 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, NM 87502. The report is also available on ERB's website at www.nmerb.org.

ROOTS AND WINGS COMMUNITY SCHOOL

Notes to the Financial Statements

June 30, 2010

Effective July 1, 2009, plan members were required by state statute to contribute 7.9% of their gross salary if they earn \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The School was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9% of the gross covered salary. The contribution requirements of plan members and the School are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The School's contributions to ERB for the fiscal years ending June 30, 2010, 2009, and 2008, were \$22,628, \$21,935 and \$15,737 respectively, which equal the amount of the required contributions for each fiscal year.

NOTE F: RETIREE HEALTH CARE ACT CONTRIBUTIONS

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

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

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

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 Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the RHCA, Albuquerque State Government Center, 401 Roma, NW, Suite 200, Albuquerque, New Mexico 87102.

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Notes to the Financial Statements
June 30, 2010

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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
2011	1.666%	0.833%
2012	1.834%	0.917%
2013	2.000%	1.000%

Also, employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The School's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$2,621, \$2,448 and \$1,639 respectively, which equal the required contributions for each year.

NOTE G: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each budget actual.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

Notes to the Financial Statements

June 30, 2010

NOTE H: INSURANCE COVERAGE

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The School, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the School to NMPSIA for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

NOTE I: SURETY BOND

The officials and certain employees of the School are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

NOTE J: RELATED PARTY DISCLOSURE

The School is leasing their facilities from Todd Wynwarde and Margaret T. Barlett, his wife. The term of the lease is for a period of five years, beginning on August 16, 2006 and terminating on August 15, 2011 with the right to renew the lease for two terms of five years. The rent is \$1,800 per month for the term of the lease.

**SUPPLEMENTAL INFORMATION RELATED TO
MAJOR FUNDS**

NONMAJOR FUNDS

IDEA B Risk Pool (24120). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

Title V (24150). To account for monies received to improve elementary and secondary education for children attending both public and private schools. The fund was created by grant provisions. (PL 103-382).

Safe & Drug Free Schools (24157). To offer a disciplined environment conducive to learning, by preventing violence in and around schools and strengthen programs that prevent the illegal use of alcohol, tobacco, and drugs, involve parents, and coordinated with related Federal, State, and community efforts and resources. Elementary and Secondary Education Act , Title IV, Part A, Subpart 1, as amended. 20 USC 7111-7118.

Beginning Teacher Mentoring Program (27154). To account for revenues and expenditures from a state grant provided for tutoring and student enhancement activities in reading, math, and study skills for grades sixth through eight. The fund was created by state grant provisions.

Library Book Fund (27549). To account for funds received from the New Mexico Public Education Department for purchasing library books. The fund was created by state grant provisions.

Public School Capital Outlay (31200)

The revenues are derived from a state legislative grant. The expenditures are restricted to the rental of capital improvements.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2010

	Special Revenue		
	IDEA B Risk Pool 24120	Title V 24150	Safe & Drug Free Schools 24157
ASSETS			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivable			
Due from Grantor	0	73	2,053
Total Assets	\$ 0	\$ 73	\$ 2,053
LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund Balance	\$ 0	\$ 73	\$ 2,053
Total Liabilities from Other Funds	0	73	2,053
Fund Balance			
Unreserved, Undesignated, reported in:			
Special Revenue	0	0	0
Total Fund Balance	0	0	0
Total Liabilities and Fund Balance	\$ 0	\$ 73	\$ 2,053

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2010

	<u>Special Revenue</u>		<u>Capital Projects</u>
	Beginning Teacher Mentoring 27154	Library Book Fund 27549	PSCOC 31200
ASSETS			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivable			
Due from Grantor	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 0
Total Liabilities from Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Unreserved, Undesignated, reported in:			
Special Revenue	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2010

	<u>Total</u>
ASSETS	
Cash and Cash Equivalents	\$ 0
Receivable	
Due from Grantor	2,126
Total Assets	<u>\$ 2,126</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Interfund Balance	\$ 2,126
Total Liabilities from Other Funds	<u>2,126</u>
Fund Balance	
Unreserved, Undesignated, reported in:	
Special Revenue	<u>0</u>
Total Fund Balance	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 2,126</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2010

	Special Revenue		
	IDEA B Risk Pool 24120	Title V 24150	Safe & Drug Free Schools 24157
Revenues			
State & Local Grants	\$ 0	\$ 0	\$ 0
Federal Grants	154	0	0
Total Revenues	<u>154</u>	<u>0</u>	<u>0</u>
Expenditures			
Current			
Instruction	0	0	0
Support Service-Students	154	0	0
Support Service-Instruction	0	0	0
Operation & Maintenance of Plant	0	0	0
Total Expenditures	<u>154</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2010

	Special Revenue		Capital Projects
	Beginning Teacher Mentoring 27154	Library Book Fund 27549	PSCOC 31200
Revenues			
State & Local Grants	\$ 2,136	\$ 0	\$ 34,786
Federal Grants	0	0	0
Total Revenues	<u>2,136</u>	<u>0</u>	<u>34,786</u>
Expenditures			
Current			
Instruction	2,136	0	0
Support Service-Students	0	0	0
Support Service-Instruction	0	143	0
Operation & Maintenance of Plant	0	0	34,786
Total Expenditures	<u>2,136</u>	<u>143</u>	<u>34,786</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(143)	0
Fund Balances at Beginning of Year	<u>0</u>	<u>143</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
NONMAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2010

	<u>Total</u>
Revenues	
State & Local Grants	\$ 36,922
Federal Grants	154
Total Revenues	<u>37,076</u>
Expenditures	
Current	
Instruction	2,136
Support Service-Students	154
Support Service-Instruction	143
Operation & Maintenance of Plant	<u>34,786</u>
Total Expenditures	<u>37,219</u>
Excess (Deficiency) of Revenues Over Expenditures	(143)
Fund Balances at Beginning of Year	<u>143</u>
Fund Balance End of Year	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

SPECIAL REVENUE FUND-IDEA B RISK POOL-24120

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grants	\$ 0	\$ 154	\$ 154	\$ 0
Total Revenues	<u>0</u>	<u>154</u>	<u>154</u>	<u>0</u>
Expenditures				
Support Services-Students				
Professional & Tech Services	0	154	154	0
Total Support Services- Students	<u>0</u>	<u>154</u>	<u>154</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>154</u>	<u>154</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net change in Due from Grantor			<u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

SPECIAL REVENUE FUND-TITLE V-24150

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grants	\$ 73	\$ 73	\$ 0	\$ (73)
Total Revenues	<u>73</u>	<u>73</u>	<u>0</u>	<u>(73)</u>
Expenditures				
Instruction				
Supplies	0	0	0	0
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	73	73	0	(73)
Cash Balance Beginning of Year	<u>(73)</u>	<u>(73)</u>	<u>(73)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (73)</u>	<u>\$ (73)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net change in Due from Grantor			<u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

SPECIAL REVENUE FUND-SAFE & DRUG FREE SCHOOLS-24157

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grants	\$ 2,053	\$ 2,053	\$ 0	\$ (2,053)
Total Revenues	<u>2,053</u>	<u>2,053</u>	<u>0</u>	<u>(2,053)</u>
Expenditures				
Instruction				
Other Purchased Services	0	0	0	0
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	2,053	2,053	0	(2,053)
Cash Balance Beginning of Year	<u>(2,053)</u>	<u>(2,053)</u>	<u>(2,053)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,053)</u>	<u>\$ (2,053)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net change in Due from Grantor			<u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

SPECIAL REVENUE FUND-BEGINNING TEACHER MENTORING-27154

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 0	\$ 2,136	\$ 2,136	\$ 0
Total Revenues	<u>0</u>	<u>2,136</u>	<u>2,136</u>	<u>0</u>
Expenditures				
Instruction				
Professional & Tech Services	0	2,136	2,136	0
Total Instruction	<u>0</u>	<u>2,136</u>	<u>2,136</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>2,136</u>	<u>2,136</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

SPECIAL REVENUE FUND-LIBRARY BOOK FUND-27549

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Instruction				
Other Purchased Services	143	143	143	0
Total Instruction	<u>143</u>	<u>143</u>	<u>143</u>	<u>0</u>
Total Expenditures	<u>143</u>	<u>143</u>	<u>143</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(143)	(143)	(143)	0
Cash Balance Beginning of Year	<u>143</u>	<u>143</u>	<u>143</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (143)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (143)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ROOTS AND WINGS COMMUNITY SCHOOL

CAPITAL PROJECTS FUND-PUBLIC SCHOOL CAPITAL OUTLAY-31200

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 0	\$ 34,786	\$ 34,786	\$ 0
Total Revenues	<u>0</u>	<u>34,786</u>	<u>34,786</u>	<u>0</u>
Expenditures				
Operation & Maintenance of Plant				
Rental-Land & Building	0	34,786	34,786	0
Total Operation & Maintenance of Plant	<u>0</u>	<u>34,786</u>	<u>34,786</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>34,786</u>	<u>34,786</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
ROOTS AND WINGS COMMUNITY SCHOOL
Cash Reconciliations - All Funds
For the Year Ended June 30, 2010

		Beginning Cash Balance <u>6/30/09</u>	Revenue	Expenditures	Ending Cash Balance <u>6/30/10</u>
Operational	11000	\$ 98,582	\$ 420,791	\$ 434,145	\$ 85,228
Instructional Materials	14000	(4,623)	16,157	11,522	12
Federal Flowthrough	24000	(2,126)	2,805	16,211	(15,532)
Federal Direct	25000	0	31,205	40,248	(9,043)
State Flowthrough	27000	143	2,136	2,279	0
PSCOC	31200	0	34,786	34,786	0
Total		<u>\$ 91,976</u>	<u>\$ 507,880</u>	<u>\$ 539,191</u>	<u>\$ 60,665</u>

The notes to the financial statements are an integral part of this statement.

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

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*

Mr. Hector H. Balderas
State Auditor of the State of New Mexico
Board Members of the ROOTS & WINGS COMMUNITY SCHOOL

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of ROOTS & WINGS COMMUNITY SCHOOL, (School), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 1, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses listed as 10-1 and 10-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School's responses to the findings identified in our audit as described in the accompanying schedule of findings and responses cost. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the administration, the board members, the Public Education Department, the Office of the State Auditor, the New Mexico State Legislature and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

De'Ann Willoughby, CPA PC

November 1, 2010

Prior Year Audit Findings

There were no prior year audit findings

Current Year Audit Findings

10-1 Employee Files

Condition

In a test of 7 employee files, we noted 7 instances of incomplete I-9's and 1 instances of background checks not on file.

Criteria

NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, direct deposit authorizations, pay or position change notices and ERA plan application. The Immigration Reform & Control Act of 1986 requires all employees hired after November 6, 1986 to complete a I-9 within 3 days of hire.

Effect

The School is not in compliance with the Immigration Reform and Control Act or with New Mexico State Statutes. The School could be at risk of substantial fines for failure to maintain I-9's.

Cause

The School was unaware that the employees had incomplete files.

Recommendation

We recommend the School obtain all required information and retain the necessary documents in the personnel files. The School should make periodic checks to ensure all required information is being maintained.

Response

We have now completed all I-9s correctly and received the background check for our files.

10-2 Cash Appropriations in Excess of Available Cash Balances

Condition

The School maintained a deficit budget in excess of available cash balance in the Operational Fund (11000) of \$(55,387).

Criteria

Section 2.2.210. (P) (1), NMAC, requires all school district funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the PED for approval. Cash balances rebudgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Effect

The School will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Cause

The School does not have a procedure in place to ensure sufficient beginning cash balances exist to absorb budget deficits.

Recommendation

Budget for future years should be reviewed to insure all funds have adequate budget authority for budgeted expenditures. Greater attention should be given to the budget monitoring process end of the year cash balance estimates.

Response

The School will review the estimated cash balances and issue a BAR if necessary.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on November 1, 2010. Those present were Tobi Baker Navarre-Head Teacher, Karen Quintana Shannon-Business Manager, Peggy Chung-Member and DeAun Willoughby, CPA.