

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
ANNUAL FINANCIAL REPORT

June 30, 2013

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**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
TABLE OF CONTENTS**

	<u>Page</u>
Official Roster.....	1
FINANCIAL SECTION	
Independent Auditor's Report.....	3
Management's Discussion and Analysis	7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	16
Statement of Activities.....	17
Fund Financial Statements:	
Governmental Funds-Balance Sheet.....	18
Reconciliation of the Governmental Funds-Balance Sheet to the Statement of Net Position.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	22
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	25
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual	
General Fund-Operational-11000.....	26
General Fund-Instructional Material-14000.....	28
2010 GO Bonds Students Library Fund-27106.....	29
2010 GO Bond Instructional Materials-27171.....	30
Notes to Financial Statements.....	31
SUPPLEMENTARY INFORMATION RELATED TO NON MAJOR FUNDS	
Non Major Funds.....	47
Combining - Non-major Governmental Funds	
Combining Balance Sheet - by Fund Type.....	48
Combining Statement of Revenues, Expenditures, and Changes in Fund balances - Non-major Governmental Funds.....	49
SPECIAL REVENUE FUND	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual	
IDEA PART B, Entitlement-24106.....	50
GO Bond Library Books Fund-27105.....	51
CAPITAL PROJECT FUND	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual	
Public School Capital Outlay-31200.....	52
Senate Bill Nine-31700.....	53

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION

Cash Reconciliation-All Funds.....	55
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	56
Schedule of Findings and Responses.....	58

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Official Roster
June 30, 2013

BOARD OF EDUCATION

Michael G. Rael, Sr.	President
Justin Friedman	Vice President
Lisa Clark	Secretary
Michelle Chandler	Member

SCHOOL OFFICIALS

Albert Spungen	Superintendent
Jennifer Neal	Superintendent's Secretary
Karen Quintana Shannon	Business Manager
Margaret Bartlett	Special Education Director

FINANCIAL SECTION

INDEPENDENT AUDITORS' 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

Report on Financial Statements

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 fund and the major special revenue funds of Roots & Wings Community School, (School), as of and for the year ended June 30, 2013, and the related notes to the financial statements 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 the major capital project funds, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2013, 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 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 of the School as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital project funds, and all nonmajor 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 06 to 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 School's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates 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 statement 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 other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013 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 *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Harshwal & Company LLP

Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico

October 25, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

This Management Discussion and Analysis of the fiscal performance of the ROOTS & WINGS COMMUNITY SCHOOL (School) for the period ending June 30, 2013 represents the School's financial overview. This written analysis is a required part of the School's financial reporting and is an objective and easily readable discussion of the School's financial activities.

The discussion and analysis provide a review of the School's overall financial activities, using the accrual basis of accounting, for the year ending June 30, 2013. Fund financial statements are reported on a modified accrual basis of accounting. Rather than looking at specific areas of performance, this discussion and analysis focuses on the financial performance of the School 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 graphics information.

In addition to this reporting, 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).

About ROOTS & WINGS COMMUNITY SCHOOL

To completely understand the financial discussion of the ROOTS & WINGS COMMUNITY SCHOOL, it is important to understand the nature of the School.

Roots & Wings school site is located at 8,000 feet elevation on the flanks of the Sangre de Cristo Mountains in Lama Canyon, approximately 15 miles north of Taos and 5 miles south of Questa, New Mexico.

Roots and Wings Community school has been operating as a Questa District Charter school since the Fall of 2001. It started with 16 students in grades 6 and 7 and has grown to 50 students in grades Kindergarten through 8th grade. The school enrollment is capped at 50 in Charter with the District.

Roots and Wings Community school has highly qualified and highly educated teachers (one being a PHD), and the students come from the Questa (24%) and Taos (76%) School districts. The School's student body is comprised of 28% females and 72% males of which 30% are Hispanic, 56% Caucasian, 7% Black, and 7% American Indian. About 9% of our students have special needs, and over 56% come from single parent homes.

Roots and Wings Community school utilizes an expeditionary learning style of education that serves its diverse students of the Upper Rio Grande Valley. Set in a farm and mountain environment, Roots and Wings uses the natural surroundings, active pedagogy and personalized atmosphere to make learning an adventure. The results are students that are engaged, self-reflective, and active citizens. The school promotes academic excellence, the fostering of character and service, and students connected to the unique agricultural, cultural and heritage of Northern New Mexico.

At the heart of the expeditionary learning are theme-based learning expeditions. Learning expeditions are interdisciplinary units aligned with state standards that last for several weeks; they are experiential and project-based, and involve students in original research and real world projects to create high quality products for audiences beyond the classroom.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Significant Financial Highlights for the Year Ending June 30, 2013

The School has successfully implemented the financial reporting and processes as required by the Governmental Accounting Standards Board Statement No. 34. The implementation includes both the current year reporting of depreciation on Capital Assets and accumulated depreciation to date.

As part of the implementation of GASB 34 requirements, accumulated depreciation of \$(68,884) was recorded. This includes current year depreciation of \$(2,542) and prior year accumulated depreciation of \$(66,342).

The overall adjusted Fund Balance increased from \$32,157 for the year ending June 30, 2012 to \$79,015 for the year ending June 30, 2013. This represents an increase in the fund balance of \$46,858.

Total revenues increased from \$447,404 in the year ending June 30, 2012 to \$573,232 in the year ending June 30, 2013. This is an increase of \$125,828 reflecting an overall revenue increase of 28%. The most significant reason for this increase is due to increase in state & local grants.

Total expenditures increased from \$486,972 for the year ending June 30, 2012 to \$526,374 for the year ending June 30, 2013. This is an increase in expenditures of \$39,402.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

FINANCIAL STATEMENTS

Statement of Net Position

The financial statements of the ROOTS & WINGS COMMUNITY SCHOOL are prepared using the accrual method of accounting. This statement shows that the School has total assets of \$105,915. The School has \$73,939 of cash and cash equivalents on hand as of June 30, 2013. Net Position totaling \$79,015 are "unrestricted".

	June 30, 2013
ASSETS	
Cash assets	\$ 73,939
Other current assets	5,076
Capital assets	95,784
Less: Accumulated depreciation	(68,884)
Total assets	105,915
LIABILITIES	
Net Position	
Net investment in capital assets	26,900
Unrestricted	79,015
Total net position	\$ 105,915

GASB 34 rules now require public entities to depreciate capital assets. This statement includes an adjusted accumulated depreciation of the School's capital assets in the amount of \$(2,542). The School utilized a "straight line" depreciation method in all cases and standardized lifetime tables in calculating this depreciation.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Statement of Activities

The Statement of (Governmental) Activities is also a statement required by GASB 34 and is prepared using the accrual method of accounting. This report compliments the Statement of Net Position by showing the overall change in the School's net position for the fiscal year ending June 30, 2013. As of June 30, 2013 the School had net position of \$105,915. The Adjusted beginning year total net position is \$61,600 reflecting an increase in total net position of \$44,315 for the year ending June 30, 2013.

	June 30, 2013
Expenses for governmental activities	\$ (528,916)
Less operating grants and contributions	64,108
Net (Expenses) revenues and changes in net position	(464,808)
General revenues	
Federal and state aid not restricted to specific purpose	
General	508,643
Interest and investment earnings	130
Miscellaneous	350
Subtotal, general revenues	509,123
Changes in net position	44,315
Net position - beginning	61,600
Net position - ending	\$ 105,915

FUND FINANCIAL STATEMENTS

Fund financial statements are based on a modified accrual basis of accounting. The Statement of Revenues and Expenditures and Changes in Fund Balances, is not new to the School's annual financial reports. This report guides the reader to a meaningful overall view for the School revenue, expenditures and changes to the fund balance. Total revenues from state, local and Federal sources were \$573,232. Total expenditures for the School were \$526,374. The total ending fund balance was \$79,015; an increase of \$46,858 from the prior year.

STATE OF NEW MEXICO
 ROOTS & WINGS COMMUNITY SCHOOL
 MANAGEMENT DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2013

Multi-Year School Revenues and Expenditures

A multi-year view of overall School revenues and expenditures indicates different material or significant changes in both areas.

<u>Year</u>	<u>Total Revenues</u>	<u>Increase %</u>	<u>Total Expenses</u>	<u>Increase %</u>
2007/2008	270,750		256,453	
2008/2009	572,697	112 %	492,823	92 %
2009/2010	525,707	(8)%	539,192	9 %
2010/2011	486,759	(7)%	500,674	(7)%
2011/2012	447,404	(8)%	486,972	(3)%
2012/2013	573,232	28 %	526,374	8 %

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

The Budget

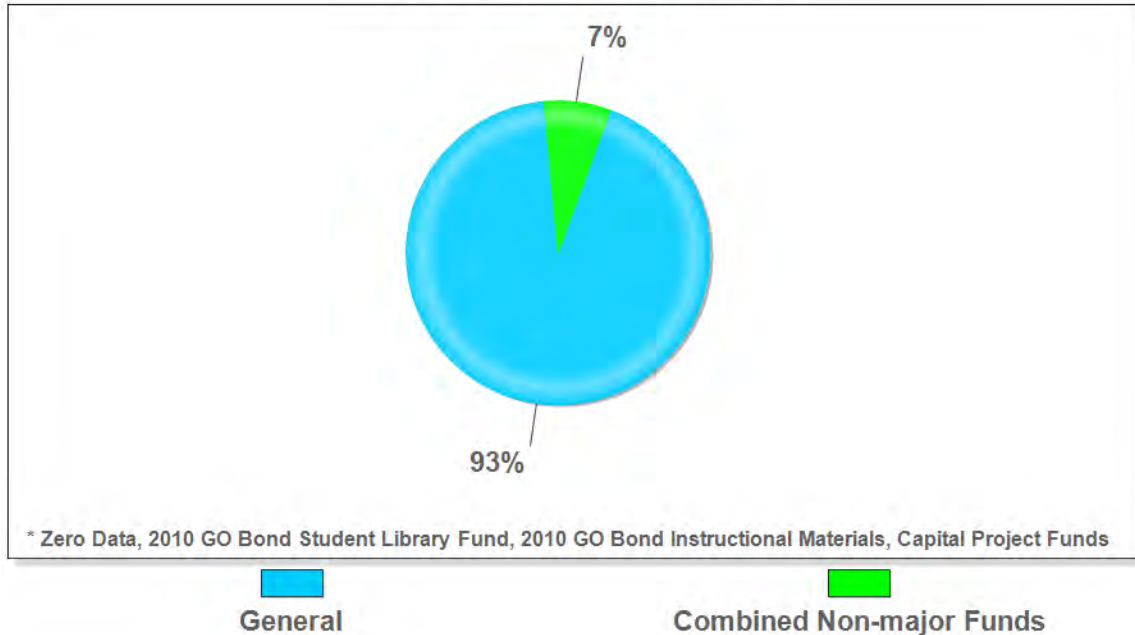
The State of New Mexico school budget process is defined under state law and regulation. To enhance the process of developing a budget at the school district level, the School utilizes goals and objectives defined by the School's Board, community input meetings, long term plans and input from various staff groups to develop to the School's budget. School priorities are well defined through this process.

GASB 34 does 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; The General Fund, Bond - Student library fund, Bond - Instructional materials fund and Capital improvement fund. In addition, included are non-major Special Revenue Funds, and non-major Capital Projects Funds which are also reported for their budgetary performance. The following graphics and tables show the fiscal relationship of the major funds and the combined non-major funds.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Budgetary Comparison



The reader will note that the General Fund represents 93% of the total fund dollar amount. This fund provides the salary and benefits for the significant majority of the Direct Instruction, Administration, and Central services as well as classroom materials, special education consulting staff and fixed utility costs.

Revenue from this fund is substantially derived from the Federal and State grant. The General Fund is explored later in the Management Discussion and Analysis.

The following table examines the summary budget performance of the major funds for the fiscal year ending June 30, 2013. Detailed budget performance is examined through the Budgetary Comparison Statement for each major fund and the Schedule of Revenues and Expenditures Budget and Actual for the combined Special Revenue Funds, and Capital Projects Funds.

STATE OF NEW MEXICO
 ROOTS & WINGS COMMUNITY SCHOOL
 MANAGEMENT DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2013

MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE

Fund Type	Final Budget	Actual	Variance
General	\$ 561,745	\$ 483,005	\$ 78,740
Bond Student library fund	1,856	1,176	680
Bond Instructional materials	2,572	2,572	
Capital Improvements	<u>\$ 1,328</u>	<u>\$ 1,328</u>	<u>\$</u>

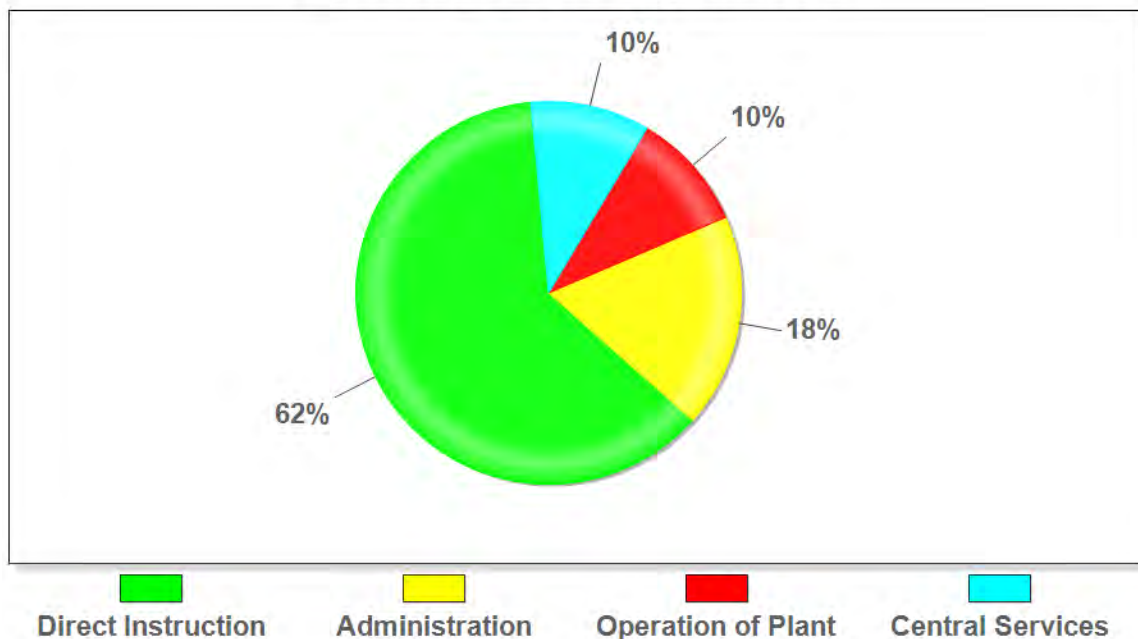
All funds fell within the regulatory criteria set by the State Department of Education and New Mexico Statute. Both the Manual of Procedures for Public School Accounting and NMSA 8-22-5, Annotated require that budget expenditures be within the authorization of the approved budget.

The General Fund

The General Fund revenue represents \$511,924 of the total \$573,232 in overall School revenues. The impact of this fund must be kept in context. The General Fund began the year with an initial budget of \$457,819 and had a final budget of the same amount.

Because the General Fund is the main fund whose expenditures are significantly related to the educational process, \$483,007 was expended in the year ending June 30, 2013. The most significant inter-fund expenditure was for the function noted as "Direct Instruction". This expenditure was \$298,508 and represents 62% of all general expenditures. Expenditures included in this function are regular and special education teachers and assistants, benefits, payroll taxes, school supplies, training and miscellaneous instructional related contract services.

Percentage of GF Expenditures



STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

The following discussion on the General Fund Budget will relate functional expenditures for the year ending June 30, 2013 for the General Fund. Direct Instruction represents 62% of all General Fund expenditures. Direct Instruction expenditures account for regular education, special education and kindergarten teachers and educational assistants' salaries, payroll taxes and benefits. Support services-general and school administration represents 18% of General Fund expenditures and account for expenditures for school principals, 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.

Operation of the Plant account for 10% of the General Fund expenditures. Included in the Operation of the Plant expenditures are salaries and benefits for maintenance staff, school custodians, fixed utility costs, maintenance and repairs, maintenance supplies and school custodial supplies.

Capital Assets

This School has not added any new facilities. As can be seen from the balance in Capital Assets, the reader can see that the school's facilities are aging.

<u>Assets Type</u>	<u>Balance June 30, 2012</u>	<u>Balance June 30, 2013</u>
Equipment and vehicles information technology equipment, software & library books	\$ <u>95,784</u>	\$ <u>95,784</u>
Total Capital Assets	<u>95,784</u>	<u>95,784</u>
Less Accumulated Depreciation	<u>(66,342)</u>	<u>(68,884)</u>
Capital Assets-Net	<u>\$ 29,442</u>	<u>\$ 26,900</u>

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 73,939
Due from grantor	<u>5,076</u>
Total current assets	<u>79,015</u>
Noncurrent assets	
Capital assets	95,784
Less: accumulated depreciation	<u>(68,884)</u>
Total noncurrent assets	<u>26,900</u>
Total assets	<u>105,915</u>
LIABILITIES	
Total liabilities	<u>0</u>
NET POSITION	
Net investment in capital assets	26,900
Unrestricted	<u>79,015</u>
Total net position	<u>\$ 105,915</u>

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 302,706	\$	\$ 5,373	\$	\$ (297,333)
Support services-students	14,517		31,194		16,677
Support services-instruction	3,537		1,357		(2,180)
General administration	8,560				(8,560)
School administration	78,906				(78,906)
Central services	46,694				(46,694)
Operation of plant	<u>73,996</u>	<u> </u>	<u>26,184</u>	<u> </u>	<u>(47,812)</u>
Total governmental activities	<u>528,916</u>	<u>0</u>	<u>64,108</u>	<u>0</u>	<u>(464,808)</u>
General revenues					
Federal and state aid not restricted to specific purpose					
General					508,643
Interest and investment earnings					130
Miscellaneous					<u>350</u>
Subtotal, general revenues					<u>509,123</u>
Change in net position					44,315
Net position - beginning					<u>61,600</u>
Net position - ending					<u>\$ 105,915</u>

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2013

	General Fund		Special Revenue Funds
	Operational 11000	Instructional Materials 14000	2010 GO Bond Student Library Fund 27106
ASSETS			
Cash and cash equivalents	\$ 73,932	\$ 7	\$
Receivables			
Due from grantor			1,176
Interfund receivable	<u>5,076</u>	<u> </u>	<u> </u>
Total assets	<u>\$ 79,008</u>	<u>\$ 7</u>	<u>\$ 1,176</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund payable	\$ <u> </u>	\$ <u> </u>	\$ <u>1,176</u>
Total liabilities	<u>0</u>	<u>0</u>	<u>1,176</u>
Fund balances			
Unassigned -general fund	<u>79,008</u>	<u>7</u>	<u> </u>
Total fund balance	<u>79,008</u>	<u>7</u>	<u>0</u>
Total liabilities and fund balance	<u>\$ 79,008</u>	<u>\$ 7</u>	<u>\$ 1,176</u>

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2013

	Special Revenue Funds	Capital Project Funds	
	2010 GO Bond Instructional Materials 27171	Capital Improvements SB-9 31700	Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$	\$	\$
Receivables			
Due from grantor	2,572	1,328	
Interfund receivable			
Total assets	\$ <u>2,572</u>	\$ <u>1,328</u>	\$ <u>0</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Interfund payable	\$ <u>2,572</u>	\$ <u>1,328</u>	\$ <u> </u>
Total liabilities	<u>2,572</u>	<u>1,328</u>	<u>0</u>
Fund balances			
Unassigned -general fund			
	<u>0</u>	<u>0</u>	<u>0</u>
Total fund balance	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities and fund balance	\$ <u>2,572</u>	\$ <u>1,328</u>	\$ <u>0</u>

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2013

		<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$	73,939
Receivables		
Due from grantor		5,076
Interfund receivable		<u>5,076</u>
Total assets	\$	<u><u>84,091</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Interfund payable	\$	<u>5,076</u>
Total liabilities		<u>5,076</u>
Fund balances		
Unassigned -general fund		<u>79,015</u>
Total fund balance		<u>79,015</u>
Total liabilities and fund balance	\$	<u><u>84,091</u></u>

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2013

Total fund balance - governmental funds \$ 79,015

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 as assets in governmental funds.

The cost of capital assets	95,784	
Accumulated depreciation	<u>(68,884)</u>	<u>26,900</u>
Total net position - governmental activities		\$ <u><u>105,915</u></u>

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2013

	<u>General Fund</u>		<u>Special</u>
	<u>Operational</u>	<u>Instructional</u>	<u>Revenue Funds</u>
	<u>11000</u>	<u>Materials 14000</u>	<u>2010 GO Bond Student Library Fund 27106</u>
Revenues			
Investment income	\$ 128	\$ 2	\$
State & local grants	508,643	2,801	1,351
Federal grants			
Miscellaneous	<u>350</u>		
Total revenues	<u>509,121</u>	<u>2,803</u>	<u>1,351</u>
Expenditures			
Current			
Instruction	295,657	2,851	
Support services-students	20		
Support services-instruction	2,361		1,176
Support services-general administration	8,560		
Support services-school administration	78,906		
Central services	46,694		
Operation & maintenance of plant	<u>47,958</u>		
Total expenditures	<u>480,156</u>	<u>2,851</u>	<u>1,176</u>
Excess (deficiency) of revenues over expenditures	28,965	(48)	175
Fund balances at beginning of year	<u>50,043</u>	<u>55</u>	<u>(175)</u>
Fund balances end of year	<u>\$ 79,008</u>	<u>\$ 7</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2013

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	
	2010 GO Bond Instructional Materials 27171	Capital Improvements SB-9 31700	Other Governmental Funds
Revenues			
Investment income	\$	\$	\$
State & local grants	2,572	2,390	23,801
Federal grants			31,194
Miscellaneous	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>2,572</u>	<u>2,390</u>	<u>54,995</u>
Expenditures			
Current			
Instruction	2,572	1,328	
Support services-students			14,497
Support services-instruction			
Support services-general administration			
Support services-school administration			
Central services			
Operation & maintenance of plant	<u> </u>	<u> </u>	<u>23,794</u>
Total expenditures	<u>2,572</u>	<u>1,328</u>	<u>38,291</u>
Excess (deficiency) of revenues over expenditures	0	1,062	16,704
Fund balances at beginning of year	<u>0</u>	<u>(1,062)</u>	<u>(16,704)</u>
Fund balances 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 & WINGS COMMUNITY SCHOOL
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2013

	<u>Total Governmental Funds</u>
Revenues	
Investment income	\$ 130
State & local grants	541,558
Federal grants	31,194
Miscellaneous	<u>350</u>
Total revenues	<u>573,232</u>
Expenditures	
Current	
Instruction	302,408
Support services-students	14,517
Support services-instruction	3,537
Support services-general administration	8,560
Support services-school administration	78,906
Central services	46,694
Operation & maintenance of plant	<u>71,752</u>
Total expenditures	<u>526,374</u>
Excess (deficiency) of revenues over expenditures	46,858
Fund balances at beginning of year	<u>32,157</u>
Fund balances end of year	<u><u>\$ 79,015</u></u>

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 to the Statement of Activities
 For the Year Ended June 30, 2013

Excess (deficiency) of revenues over expenditures in Fund Balance - Governmental Funds		\$	46,858
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 position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities			
Depreciation expense		\$	(2,543)
Capital outlays		<u>0</u>	<u>(2,543)</u>
Changes in net position of governmental activities		\$	<u><u>44,315</u></u>

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

STATE OF NEW MEXICO
ROOTS & 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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variances
	Original	Final		Positive (Negative) Final to Actual
Revenues:				
Investment income	\$ 100	\$ 100	\$ 128	\$ 28
State & local grants	430,336	430,336	508,643	78,307
Miscellaneous	<u>24,582</u>	<u>24,582</u>	<u>350</u>	<u>(24,232)</u>
Total revenues	<u>455,018</u>	<u>455,018</u>	<u>509,121</u>	<u>54,103</u>
Expenditures:				
Instruction				
Personnel services	197,843	199,910	200,043	(133)
Employee benefits	92,944	75,323	74,255	1,068
Professional & tech services	3,580	11,535	4,901	6,634
Purchased property services	1,500	2,641	2,636	5
Other purchased services	1,040	4,683	2,999	1,684
Supplies	1,000	8,524	4,031	4,493
Supply assets	<u> </u>	<u>7,967</u>	<u>6,790</u>	<u>1,177</u>
Total instruction	<u>297,907</u>	<u>310,583</u>	<u>295,655</u>	<u>14,928</u>
Support services-students				
Employee benefits	<u>24</u>	<u>6</u>	<u>20</u>	<u>(14)</u>
Total support services-students	<u>24</u>	<u>6</u>	<u>20</u>	<u>(14)</u>
Support services-instruction				
Employee benefits	94	165	165	
Professional & tech services	<u>3,500</u>	<u>3,500</u>	<u>2,196</u>	<u>1,304</u>
Total support services-instruction	<u>3,594</u>	<u>3,665</u>	<u>2,361</u>	<u>1,304</u>
Support services-general administration				
Professional & tech services	4,090	6,225	4,477	1,748
Other purchased services	<u>4,071</u>	<u>4,243</u>	<u>4,083</u>	<u>160</u>
Total support services-general administration	<u>\$ 8,161</u>	<u>\$ 10,468</u>	<u>\$ 8,560</u>	<u>\$ 1,908</u>

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

STATE OF NEW MEXICO
ROOTS & 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, 2013

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances
	<u>Original</u>	<u>Final</u>		Positive (Negative) Final to Actual
Support services-school administration				
Personnel services	\$ 29,510	\$ 55,007	\$ 56,141	\$ (1,134)
Employee benefits	12,627	22,128	19,845	2,283
Professional & tech services		1,750	999	751
Supplies		700	542	158
Supply assets		<u>1,542</u>	<u>1,379</u>	<u>163</u>
Total support services-school administration	<u>42,137</u>	<u>81,127</u>	<u>78,906</u>	<u>2,221</u>
Central services				
Professional & tech services	45,800	46,005	45,993	12
Supplies		731	630	101
Supply assets		<u>300</u>	<u>71</u>	<u>229</u>
Total central services	<u>45,800</u>	<u>47,036</u>	<u>46,694</u>	<u>342</u>
Operation & maintenance of plant				
Personnel services		8,514	8,963	(449)
Employee benefits	57	2,401	2,412	(11)
Professional & tech services		275		275
Purchased property services	57,338	52,434	35,004	17,430
Supplies		1,880	1,351	529
Supply assets		<u>500</u>	<u>228</u>	<u>272</u>
Total operation & maintenance of plant	<u>57,395</u>	<u>66,004</u>	<u>47,958</u>	<u>18,046</u>
Others				
Other support services		<u>40,000</u>		<u>40,000</u>
Total other	<u>0</u>	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Total expenditures	<u>455,018</u>	<u>558,889</u>	<u>480,154</u>	<u>78,735</u>
Excess (deficiency) of revenues over expenditures		(103,871)	28,967	132,838
Cash balance beginning of year	<u>66,165</u>	<u>5,178</u>	<u>50,041</u>	<u>44,863</u>
Cash balance end of year	<u>\$ 66,165</u>	<u>\$ (98,693)</u>	<u>79,008</u>	<u>\$ 177,701</u>
Reconciliation of budgetary basis to GAAP basis				
Excess (deficiency) of revenues over expenditures-cash basis			28,967	
Net change in accounts payable			<u>(2)</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ 28,965</u>	

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

STATE OF NEW MEXICO
ROOTS & 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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
State & local grants	\$ 2,801	\$ 2,801	\$ 2,801	\$
Investment income	<u> </u>	<u> </u>	<u>2</u>	<u>2</u>
Total revenues	<u>2,801</u>	<u>2,801</u>	<u>2,803</u>	<u>2</u>
Expenditures				
Instruction				
Supplies	<u>2,801</u>	<u>2,856</u>	<u>2,851</u>	<u>5</u>
Total instruction	<u>2,801</u>	<u>2,856</u>	<u>2,851</u>	<u>5</u>
Total expenditures	<u>2,801</u>	<u>2,856</u>	<u>2,851</u>	<u>5</u>
Excess (deficiency) of revenues over expenditures		(55)	(48)	7
Cash balance beginning of year	<u> </u>	<u> </u>	<u>55</u>	<u>(55)</u>
Cash balance end of year	<u><u>\$ </u></u>	<u><u>\$ (55)</u></u>	<u><u>7</u></u>	<u><u>\$ (48)</u></u>
Reconciliation of budgetary basis to GAAP basis				
Excess (deficiency) of revenues over expenditures-cash basis			(48)	
Net change in accounts receivable			0	
Net Change in accounts payables			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u><u>\$ (48)</u></u>	

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SPECIAL REVENUE FUND - 2010 GO BOND STUDENTS LIBRARY FUND- 27106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>		
Revenues				
State & local grant	\$ <u>1,856</u>	\$ <u>1,856</u>	\$ <u>175</u>	\$ <u>(1,681)</u>
Total revenues	<u>1,856</u>	<u>1,856</u>	<u>175</u>	<u>(1,681)</u>
Expenditures				
Support services - instruction				
Supply assets	<u>1,856</u>	<u>1,856</u>	<u>1,176</u>	<u>680</u>
Total support services - instruction	<u>1,856</u>	<u>1,856</u>	<u>1,176</u>	<u>680</u>
Total expenditures	<u>1,856</u>	<u>1,856</u>	<u>1,176</u>	<u>680</u>
Excess (deficiency) of revenues over expenditures	0	0	(1,001)	(1,001)
Cash balance beginning of year	<u>0</u>	<u>0</u>	<u>(175)</u>	<u>(175)</u>
Cash balance end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>(1,176)</u>	<u>\$ (1,176)</u>
Reconciliation of budgetary basis to GAAP basis				
Excess (deficiency) of revenues over expenditures-cash basis			(1,001)	
Net change in due from grantor			1,176	
Net Change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ 175</u>	

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SPECIAL REVENUE FUND - GO BOND INSTRUCTIONAL MATERIALS FUND- 27171
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
State & local grant	\$ _____	\$ _____	\$ _____	\$ _____
Total revenues	0	0	0	0
Expenditures				
Instruction				
Supplies	_____	2,572	2,572	_____
Total instruction	0	2,572	2,572	0
Total expenditures	0	2,572	2,572	0
Excess (deficiency) of revenues over expenditures	0	(2,572)	(2,572)	0
Cash balance beginning of year	0	2,572	0	(2,572)
Cash balance end of year	0	0	(2,572)	(2,572)
Reconciliation of budgetary basis to GAAP basis				
Excess (deficiency) of revenues over expenditures-cash basis			(2,572)	
Net change in due from grantor			2,572	
Net Change in accounts payable			0	
Excess (deficiency) of revenues over expenditures-GAAP basis			0	

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies

The financial statements of the Roots & Wings Community School (School) a component unit of Questa Independent School District, 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 to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

In 2013, the School also implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. This statement basically provides a framework that specifies where deferred outflows of resources and deferred inflows of resources—as well as assets and liabilities—should be displayed. The statement also discusses how net position—no longer net assets—should be displayed.

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 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 numbers of funds are maintained consistent with legal and managerial requirements.

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

Capital projects fund - The Capital projects fund is used to account for all resources for the acquisition of capital facilities by the School

Major Funds

The School reports the following major governmental funds:

General fund (11000)(14000)

The General Fund consists of two 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 funds

2010 GO Bond Student Library Fund (27106). To provide funding for the purchase of library books. The fund was created by the authority of state grant provision.

GO Bond Instructional Materials Fund (27171). To provide funding for the instructional materials (books, manuals, periodicals, etc.) used in the education of students.

Major Capital project funds

Capital Improvement Senate Bill-Nine (31700). The revenues are derived from a state grant. Expenditures are restricted to capital improvements, maintenance of the facilities and supplies.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Position 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 Position at the fund financial statement level.

The Statement of Net Position 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."

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

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 accrued.

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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

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 district shall contain headings and details as prescribed by law.
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 expenditure 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.
- (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 Position 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

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 is 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.

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.

Net Position

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In the government-wide financial statements, net position is classified and displayed in three components:

Investment in Capital Assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted: All other net positions that do not meet the definition of “restricted” or “investment in capital assets.”

The School’s policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund balances of Fund Financial Statements

Nonspendable fund balance represents assets that are other than cash such as inventory.

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

Assigned fund balance classification are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

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

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.

Unearned Revenue

The School reports unearned revenues on its Statement of Net Position and Fund Balance Sheet. Unearned 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 unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unearned 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

NOTE 2 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.

Peoples Bank

<u>Name of account</u>	<u>People's Bank Balance 6/30/2013</u>	<u>Reconciled Balance</u>	<u>Type</u>
Roots and Wings	\$ <u>125,318</u>	\$ <u>73,939</u>	Checking
TOTAL deposited	125,318	\$ <u><u>73,939</u></u>	
Less: FDIC coverage	<u>125,318</u>		
Uninsured amount	0		
50% collateral requirement	0		
Pledged securities	<u>0</u>		
Over (under) requirement	\$ <u><u>0</u></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>	<u>Bank Balance</u>
Insured	\$ 125,318
Collateralized:	
Collateral held by the pledging bank in School's name	(14)
Uninsured and uncollateralized	<u>14</u>
Total deposits	\$ <u><u>125,318</u></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, 2013 none of the School's bank balance of \$125,318 was exposed to custodial credit risk.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 3 Interfund Receivables, Payables and Transfers

Interfund balances during the year ending June 30, 2013 were as follows:

<u>Due from other funds</u>	<u>Amount</u>	<u>Due to other funds</u>	<u>Amount</u>
Major governmental funds		Major Governmental Funds	
Operational - 11000	\$ 5,076	2010 GO Bond Student Library Fund - 27106	\$ 1,176
		GO Bond Instructional Materials Fund - 27171	2,572
		Capital Improvements SB-9 - 31700	<u>1,328</u>
Total Major Governmental Funds	<u>\$ 5,076</u>	Total Major Governmental Funds	<u>\$ 5,076</u>

The due to/due from balances have been caused by negative cash balances at year end.

Loans were made from the General fund to above funds to cover the cash balances while awaiting reimbursements from PED. All loans are expected to be repaid within one year.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 4 Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2013 is as follows:

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Governmental activities				
Capital assets being depreciated				
Buildings & improvements	\$ 48,106	\$	\$	\$ 48,106
Equipment and vehicles information technology equipment, software & library books	47,678			47,678
Total capital assets being depreciated:	95,784	0	0	95,784
Less: accumulated depreciation for:				
Building & improvements	(20,454)	(2,244)		(22,698)
Equipment and vehicles information technology equipment, software & library books	(45,888)	(298)		(46,186)
Total accumulated depreciation	(66,342)	(2,542)	0	(68,884)
Capital assets, net	\$ 29,442	\$ (2,542)	\$ 0	\$ 26,900

Depreciation expense was charged to Governmental activities as follows:

Instruction	\$ (298)
Operation & Maintenance of Plant	(2,244)
Total depreciation expenses	\$ (2,542)

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 5: Other Information

A. 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 School's 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.

Effective July 01, 2012 plan members are required by statute to continue 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 9.40% of their gross salary. The School is required to contribute 12.4% of gross covered salary for employees earning \$20,000 or less, and 10.90% of the gross covered salary of employees earning more than \$20,000 annually. 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, 2013, 2012, and 2011, were \$28,925, \$21,190 and \$45,457 respectively, which equal the amount of the required contributions for each fiscal year.

B. 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.

STATE OF NEW MEXICO
 ROOTS & WINGS COMMUNITY SCHOOL
 Notes to Financial Statements
 June 30, 2013

NOTE 6: Other Information (Continued)

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.

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, 2013, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In the fiscal year ending June 30, 2014 and June 30, 2015, the contribution rate for employees and employers will rise as follows:

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY14	2.000%	1.000%
FY15	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, 2013, 2012 and 2011 were \$5,238, \$4,034, and \$5,596 respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 6: Other Information (Continued)

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.

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

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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 6. Subsequent Accounting Standard Pronouncements

The GASB issued Statement No. 65, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position* which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The School is reviewing the effects of implementation of this statement.

The GASB issued Statement No. 66 *Technical Corrections-2012-an amendment of the GASB Statements No. 10 and No. 62*, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to amend Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, government would base their decisions about governmental fund type usage for risk financing activities on the definitions in State N0. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and that principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Schedule Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales of Pledges of receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The School is reviewing the effects of the implementation of this statement.

In June 2012, Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25*, which is effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The School is still evaluating how this reporting standard will affect the reporting entity.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
Notes to Financial Statements
June 30, 2013

NOTE 6. Subsequent Accounting Standard Pronouncements (Continued)

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, which is effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, which is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively.

In April 2013, GASB Statement No 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The School is still evaluating how this reporting standard will affect the reporting entity.

**SUPPLEMENTARY INFORMATION RELATED TO
NON MAJOR FUNDS**

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
June 30, 2013

NON MAJOR SPECIAL REVENUE FUNDS

IDEA Part B, Entitlement (24106). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by 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.

GO Bond Library Books (27105). To provide funding for the purchase of library books. The fund was created by the authority of state grant provision.

NON MAJOR CAPITAL PROJECTS REVENUE FUNDS

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 & WINGS COMMUNITY SCHOOL
NONMAJOR FUNDS
Combining Balance Sheet
For the Year Ended June 30, 2013

	Special Revenue		Capital Project	
	IDEA, Part B Entitlement 24106	GO Bond Library Books 27105	Public School Capital Outlay 31200	TOTAL
ASSETS				
Total assets	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balances				
Total fund balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities and fund balance	\$ <u>0</u>	\$ <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 & WINGS COMMUNITY SCHOOL
NONMAJOR FUNDS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2013

	Special Revenue		Capital Project	
	IDEA, Part B Entitlement 24106	GO Bond Library Books 27105	Public School Capital Outlay 31200	TOTAL
Revenues				
State & local grants	\$	\$	\$	\$
Federal grants	31,194	7	23,794	23,801
	31,194	7	23,794	31,194
Total revenues	31,194	7	23,794	54,995
Expenditures				
Current				
Support services-students	14,497			14,497
Operation & maintenance of plant			23,794	23,794
	14,497	0	23,794	38,291
Total expenditures	14,497	0	23,794	38,291
Excess (deficiency) of revenues over expenditures	16,697	7		16,704
Fund balances at beginning of year	(16,697)	(7)	0	(16,704)
Fund balance end of year	0	0	0	0

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SPECIAL REVENUE FUND-IDEA PART B, ENTITLEMENT-24106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variances positive (Negative) Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal grants	\$ _____	\$ _____	\$ <u>31,194</u>	\$ <u>31,194</u>
Total revenues	<u>0</u>	<u>0</u>	<u>31,194</u>	<u>31,194</u>
Expenditures				
Support services-Student				
Personnel Services		1,184	1,183	1
Employee Benefits		2,886	2,161	725
Professional Services		5,087	720	4,367
Supplies		5,087	5,071	4,367
Supply Assets		<u>5,352</u>	<u>5,362</u>	<u>16</u>
Total support services-Student	<u>0</u>	<u>19,596</u>	<u>14,497</u>	<u>5,099</u>
Total expenditures	<u>0</u>	<u>19,596</u>	<u>14,497</u>	<u>5,099</u>
Excess (deficiency) of revenues over expenditures	0	(19,596)	16,697	36,293
Cash balance beginning of year	<u>0</u>	<u>0</u>	<u>(16,697)</u>	<u>(16,697)</u>
Cash balance end of year	<u>\$ 0</u>	<u>\$ (19,596)</u>	<u>0</u>	<u>\$ 19,596</u>
Reconciliation of budgetary basis to GAAP basis				
Excess (deficiency) of revenues over expenditures-cash Basis			16,697	
Net change in accounts receivable			0	
Net change in accounts Payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ 16,697</u>	

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SPECIAL REVENUE FUND-GO BOND LIBRARY BOOKS FUND-27105
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
State & local grant	\$ _____	\$ _____	\$ _____ 7	\$ _____ 7
Total revenues	_____ 0	_____ 0	_____ 7	_____ 7
Expenditures				
Total expenditures	_____ 0	_____ 0	_____ 0	_____ 0
Excess (deficiency) of revenues over expenditures	0	0	7	7
Cash balance beginning of year	_____ 0	_____ 0	_____ (7)	_____ (7)
Cash balance end of year	\$ _____ 0	\$ _____ 0	_____ 0	\$ _____ 0
Reconciliation of budgetary basis to GAAP basis				
Excess (deficiency) of revenues over expenditures-cash basis			7	
Net change in due from grantor			0	
Net Change in Accounts payable			0	
Excess (deficiency) of revenues over expenditures-GAAP basis			\$ _____ 7	

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

STATE OF NEW MEXICO
ROOTS & 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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
State & local grants	\$ _____	\$ _____	\$ 23,794	\$ 23,794
Total revenues	0	0	23,794	23,794
Expenditures				
Capital outlay				
Supply assets	_____	23,794	23,794	_____
Total capital outlay	0	23,794	23,794	0
Total expenditures	0	23,794	23,794	0
Excess (deficiency) of revenues over expenditures	0	(23,794)	0	23,794
Cash balance beginning of year	0	0	0	0
Cash balance end of year	0	(23,794)	0	23,794
Reconciliation of budgetary basis to GAAP basis				
Excess (deficiency) of revenues over expenditures-cash basis			0	
Net change in due from grantor			0	
Net change in accounts payable			0	
Excess (deficiency) of revenues over expenditures-GAAP basis			0	

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
CAPITAL PROJECT FUND-SENATE BILL NINE-31700
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
State & local grants	\$ _____	\$ _____	\$ <u>1,062</u>	\$ <u>1,062</u>
Total revenues	<u>0</u>	<u>0</u>	<u>1,062</u>	<u>1,062</u>
Expenditures				
Capital outlay				
Maintenance & repair	_____	<u>1,328</u>	<u>1,328</u>	_____
Total capital outlay	<u>0</u>	<u>1,328</u>	<u>1,328</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>1,328</u>	<u>1,328</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures		(1,328)	(266)	1,062
Cash balance beginning of year	_____	_____	<u>(1,062)</u>	<u>(1,062)</u>
Cash balance end of year	<u>\$ 0</u>	<u>\$ (1,328)</u>	<u>(1,328)</u>	<u>\$ 0</u>
Reconciliation of budgetary basis to GAAP basis				
Excess (deficiency) of revenues over expenditures-cash basis			(266)	
Net change in taxes receivable			1,328	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ 1,062</u>	

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
CASH RECONCILIATION - ALL FUNDS
For the Year Ended June 30, 2013

		Beginning Balance <u>6/30/2012</u>	<u>Revenue</u>	<u>Expenditures</u>	Prior Year Warrants Voided/Other <u>Adjustments</u>	Ending Cash Balance <u>6/30/2013</u>
Operational	11000	\$ 50,043	\$ 509,121	\$ 480,156	\$	\$ 79,008
Instructional materials	14000	55	2,803	2,851		7
Federal Flowthrough	24000	(16,697)	31,194	14,497		0
State Flowthrough	27000	(181)	181	3,748		(3,748)
Senate Bill Nine	31700	<u>(1,062)</u>	<u>1,062</u>	<u>1,328</u>	<u> </u>	<u>(1,328)</u>
Total		<u>\$ 32,158</u>	<u>\$ 544,361</u>	<u>\$ 502,580</u>	<u>\$</u>	<u>\$ 73,939</u>

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

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

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the Roots & Wings Community School (School) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and the combining and individual funds and related budgetary comparisons of the School, presented as supplemental information, and have issued our report thereon dated October 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item FS 12-01.

The School's Response to Findings

The School's responses to the findings identified in our audit as described in the accompanying schedule of findings and responses. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
October 25, 2013

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2013

Section I - Prior Year Audit Findings		<u>Status</u>
12-1	Personnel Files - Compliance and internal Control	Modified & Repeated
12-2	Expenditure Issues-Compliance and Internal Control	Resolved

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2013

Section II - Current Year Audit Findings

FS 12-01 Personnel Files - Compliance and internal Control

Condition

During our walkthrough and testwork of the payroll transaction cycle, we noted that management does not review payroll reports for accuracy or irregularities, we noted the following exceptions:

- 3 out of 9 employees tested did not have background checks that were conducted at least 5 years ago.
- 5 out of 9 employees tested, did not attended the personal development programs.

Criteria

A review of payroll reports and proper authorization and approval for wages, as indicated in NMSA 1978 Section 6-6-3 are required to be maintained in order to have proper and sufficient internal controls to reduce the risk of fraudulent activities.

NMAC 6.20.2.18 states the local board shall establish written payroll 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 districts 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, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Cause

For the fiscal year 2013 management did not follow its own policies to ensure internal controls were in place and working properly.

Effect

The School is not in compliance with New Mexico State Statutes. The School could be subject to penalties or possibly legal action. Not having correct supporting documentation is a serious failure of internal control procedures and could result in various legal complications in the event of noncompliance with a contract. Internal controls over payroll are not monitored and maintained to prevent or detect intentional misappropriation of the School's assets.

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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2013

Section II - Current Year Audit Findings (Continued)

Response

1 – Three employee files did not have background checks that were conducted at least 5 years ago: We have gone back through employee files to determine whose licenses are over 4 years since issuance and have already requested a current background check for some them. We will continue to monitor our files to stay in compliance with current employees.

2 – Five employees did not attend the personal development programs: The long-term substitute and the director did attend all the professional development days during their employ (the director actually ran the professional development on many occasions). This year we have begun to have a sign-in sheet for PD days that indicates the date, type of training, and signature of each person in attendance. The other three employees identified were substitute teachers and were not required to attend professional development days. (One of these substitutes worked only 1 day, another 11 days, and still another on various days totaling 79.75 hours for the entire year).

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2013

F. Other Required Disclosures

Preparation of Financial Statements

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditor's Report.

Exit Conference

An exit conference was held on November 12th, 2013. The following individuals were in attendance:

Roots & Wings Community School New Mexico

Al Spungen, Director Roots & Wings Community School

Michelle Chandler, Governance Council Member

Karen Quintana, Business Manager for Roots & Wings Community School

Harshwal & Company LLP

Sanwar Harshwal, CPA, Managing Partner

Vaishali Shukla, Senior Auditor