

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
ANNUAL FINANCIAL REPORT
JUNE 30, 2014**

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STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
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ROOTS & WINGS COMMUNITY SCHOOL
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STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
OFFICIAL ROSTER
JUNE 30, 2014

BOARD OF EDUCATION

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

SCHOOL OFFICIALS

Nancy Gonzalez	Principal/Director (January to current)
Albert Spungen	Principal/Director (July to January)
Karen Quintana Shannon	Business Manager
Jennifer Neal	School Secretary(July to January)
Debbie Hurst	School Secretary(July to February)
Maria Medina	School Secretary (February to present)
Kathryn Franz	K-3 Teacher and Special Ed Teacher (July to February)
Margaret Bartlett	Teacher/Special Ed Teacher

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 of Roots & Wings Community School, (the School), as of and for the year ended June 30, 2014, 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, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the 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, 2014, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund 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, 2014, 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 08 to 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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 section 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 section 2.2.2 NMAC are the responsibility of management and were 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 required by section 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 November 03, 2014 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
November 03, 2014**

MANAGEMENT DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

This Management Discussion and Analysis of the fiscal performance of the ROOTS & WINGS COMMUNITY SCHOOL (School) for the period ending JUNE 30, 2014 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, 2014. 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, 2014

SIGNIFICANT FINANCIAL HIGHLIGHTS FOR THE YEAR ENDING JUNE 30, 2014

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 \$(72,211) was recorded. This includes current year depreciation of \$(3,327) and prior year accumulated depreciation of \$(68,884).

The overall adjusted Fund Balance increased from \$79,015 for the year ending June 30, 2013 to \$209,116 for the year ending JUNE 30, 2014. This represents an increase in the fund balance of \$130,101.

Total revenues increased from \$573,232 in the year ending June 30, 2013 to \$676,045 in the year ending JUNE 30, 2014. This is an increase of \$102,813 reflecting an overall revenue increase of 18%. The most significant reason for this increase is due to increase in state & local grants.

Total expenditures increased from \$526,374 for the year ending June 30, 2013 to \$545,944 for the year ending JUNE 30, 2014. This is an increase in expenditures of \$19,570.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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 \$238,875. The School has \$211,843 of cash and cash equivalents on hand as of June 30, 2014. Net Position totaling \$28,297 are "unrestricted".

	<u>June 30, 2014</u>
ASSETS	
Cash assets	\$ 211,843
Other current assets	2,365
Capital assets	101,970
Less: Accumulated depreciation	(72,211)
Total assets	243,967
 LIABILITIES	
Accounts payable	580
Other current liabilities	4,512
Total liabilities	5,092
 NET POSITION	
Net investment in capital assets	29,759
Special revenue funds	358
Capital projects	180,461
Unrestricted	28,297
Total net position	\$ 238,875

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 \$(3,327). 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, 2014**

FINANCIAL STATEMENTS - Cont'd

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, 2014. As of JUNE 30, 2014 the School had net position of \$238,875. The Adjusted beginning year total net position is \$105,915 reflecting an increase in total net position of \$132,960 for the year ending JUNE 30, 2014.

	<u>June 30, 2014</u>
Expenses for governmental activities	\$ (543,085)
Less operating grants and contributions	<u>227,487</u>
Net (Expenses) revenues and changes in net position	<u>(315,598)</u>
General revenues:	
Federal and state aid not restricted to specific purpose General	427,758
Interest and investment earnings	99
Miscellaneous	<u>20,701</u>
Subtotal, general revenues	<u>448,558</u>
Changes in net position	132,960
Net position - beginning	<u>105,915</u>
Net position - ending	<u><u>\$ 238,875</u></u>

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 \$676,045. Total expenditures for the School were \$545,944. The total ending fund balance was \$209,116; an increase of \$130,101 from the prior year.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

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 %
2013/2014	\$ 676,045	18 %	\$ 545,944	4 %

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.

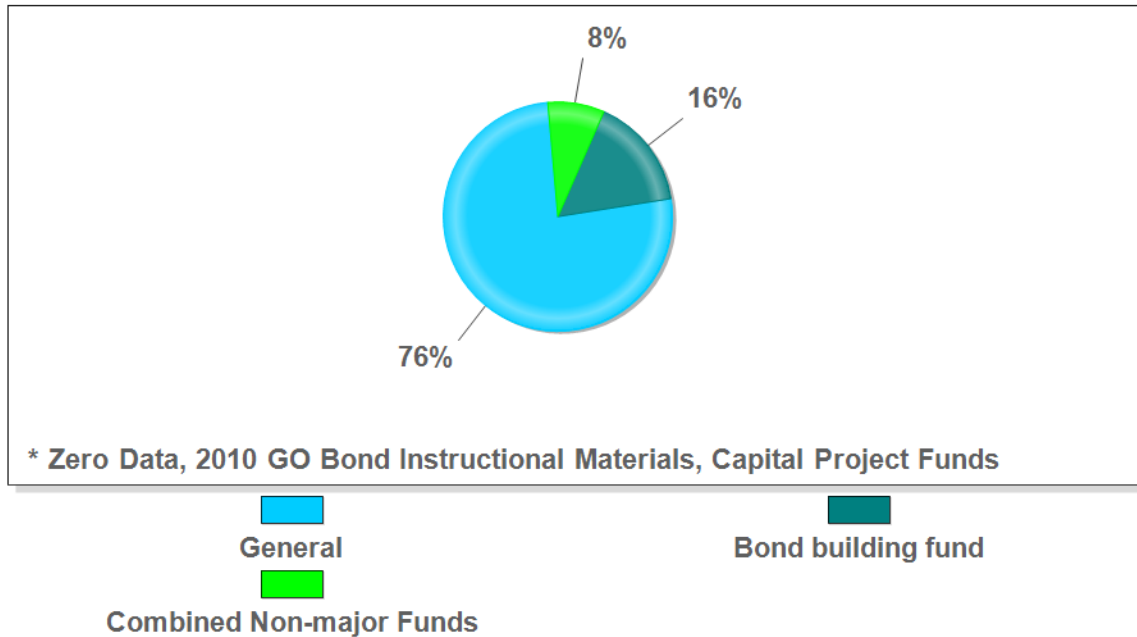
GASB 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

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, 2014**

THE BUDGET - Cont'd

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, 2014. 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, 2014**

MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE

<u>Fund Type</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 522,111	\$ 481,025	\$ 41,086
Bond Building fund	\$ 107,272	\$ 6,814	\$ 100,458

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

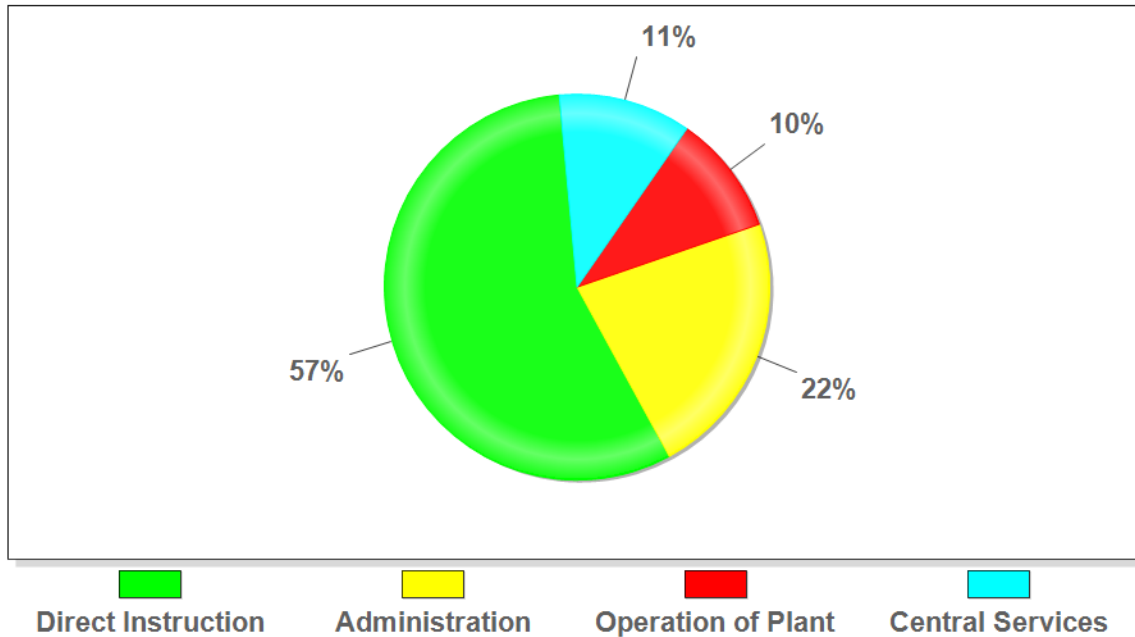
The General Fund revenue represents \$442,833 of the total \$676,045 in overall School revenues. The impact of this fund must be kept in context. The General Fund began the year with an initial budget of \$424,101 and had a final budget of \$442,516.

Because the General Fund is the main fund whose expenditures are significantly related to the educational process, \$485,536 was expended in the year ending June 30, 2014. The most significant inter-fund expenditure was for the function noted as "Direct Instruction". This expenditure was \$269,659 and represents 56% 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.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE - Cont'd

Percentage of GF Expenditures



The following discussion on the General Fund Budget will relate functional expenditures for the year ending JUNE 30, 2014 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2013</u>	<u>Balance June 30, 2014</u>
Equipment and vehicles information technology equipment, software & library books	\$ <u>95,784</u>	\$ <u>101,970</u>
Total Capital Assets	<u>95,784</u>	<u>101,970</u>
Less Accumulated Depreciation	<u>(68,884)</u>	<u>(72,211)</u>
Capital Assets-Net	<u><u>\$ 26,900</u></u>	<u><u>\$ 29,759</u></u>

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 211,843
Due from grantor	<u>2,365</u>
Total current assets	<u>214,208</u>
Noncurrent assets:	
Capital assets	101,970
Less: accumulated depreciation	<u>(72,211)</u>
Total noncurrent assets	<u>29,759</u>
Total assets	<u>243,967</u>
LIABILITIES	
Current liabilities:	
Account payable	4,512
Other liabilities	<u>580</u>
Total current liabilities	<u>5,092</u>
Total liabilities	<u>5,092</u>
NET POSITION	
Net investment in capital assets	29,759
Restricted for:	
Special revenue funds	358
Capital projects	180,461
Unrestricted	<u>28,297</u>
Total net position	<u>\$ 238,875</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, 2014

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	\$ 284,573	\$	\$ 3,675	\$	\$ (280,898)
Support services-students	9,176		11,816		2,640
Support services-instruction	4,741		679		(4,062)
General administration	11,902				(11,902)
School administration	94,937				(94,937)
Central services	51,852				(51,852)
Operation of plant	<u>85,904</u>		<u>211,317</u>		<u>125,413</u>
Total governmental activities	<u>\$ 543,085</u>	<u>\$ 0</u>	<u>\$ 227,487</u>	<u>\$ 0</u>	<u>(315,598)</u>
General revenues					
Federal and state aid not restricted to specific purpose:					
General					427,758
Interest and investment earnings					99
Miscellaneous					<u>20,701</u>
Subtotal, general revenues					<u>448,558</u>
<i>CHANGE IN NET POSITION</i>					132,960
<i>NET POSITION - BEGINNING</i>					<u>105,915</u>
<i>NET POSITION - ENDING</i>					<u>\$ 238,875</u>

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

FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2014

	<u>General Funds</u>		<u>Capital Project Fund</u>
	Operational	Instructional	Bond
	<u>11000</u>	<u>14000</u>	<u>31100</u>
ASSETS			
Cash and cash equivalents	\$ 39,904	\$ 1,500	\$ 170,081
Receivables:			
Due from grantor			
Interfund receivable	<u> </u>	<u> </u>	<u>10,380</u>
Total assets	<u>39,904</u>	<u>1,500</u>	<u>180,461</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Account payable	4,512		
Other liabilities	580		
Interfund payable	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>5,092</u>	<u>0</u>	<u>0</u>
FUND BALANCES			
Restricted-reported in:			
Special revenue funds			
Capital improvements			180,461
Unassigned - capital improvements			
Unassigned - general funds	<u>34,812</u>	<u>1,500</u>	<u> </u>
Total fund balance	<u>34,812</u>	<u>1,500</u>	<u>180,461</u>
Total liabilities and fund balance	<u>\$ 39,904</u>	<u>\$ 1,500</u>	<u>\$ 180,461</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, 2014

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 358	\$ 211,843
Receivables:		
Due from grantor	2,365	2,365
Interfund receivable	<u> </u>	<u>10,380</u>
Total assets	<u>2,723</u>	<u>224,588</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Account payable		4,512
Other liabilities		580
Interfund payable	<u>10,380</u>	<u>10,380</u>
Total liabilities	<u>10,380</u>	<u>15,472</u>
FUND BALANCES		
Restricted-reported in:		
Special revenue funds	358	358
Capital improvements		180,461
Unassigned - capital improvements	(8,015)	(8,015)
Unassigned - general funds	<u> </u>	<u>36,312</u>
Total fund balance	<u>(7,657)</u>	<u>209,116</u>
Total liabilities and fund balance	<u>\$ 2,723</u>	<u>\$ 224,588</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, 2014

		<u>Governmental Funds</u>
Total fund balance - governmental funds	\$	209,116
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
The cost of capital assets	101,970	
Accumulated depreciation	<u>(72,211)</u>	<u>29,759</u>
Total net position - governmental activities	\$	<u><u>238,875</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 BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	General Funds		Capital Project Fund
	Operational 11000	Instructional Materials 14000	Bond Building 31100
REVENUES			
Investment income	\$ 94	\$ 2	\$ 3
State & local grants	427,779	3,674	187,272
Federal grants			
Miscellaneous	11,284		
Total revenues	439,157	3,676	187,275
EXPENDITURES			
Current:			
Instruction	267,476	2,183	3,456
Support services-students	1,000		
Support services-instruction	2,376		
Support services-general administration	11,902		
Support services-school administration	94,937		
Central services	51,852		
Operation & maintenance of plant	47,624		3,358
Capital outlay	6,186		
Total expenditures	483,353	2,183	6,814
Excess (deficiency) of revenues over expenditures	(44,196)	1,493	180,461
OTHER FINANCING SOURCES (USES)			
Proceed from bonds	0	0	0
Total other financing sources (uses)	0	0	0
Net changes in fund balance	(44,196)	1,493	180,461
Fund balances at beginning of year	79,008	7	0
Fund balances end of year	\$ 34,812	\$ 1,500	\$ 180,461

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 BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
REVENUES		
Investment income	\$	\$ 99
State & local grants	26,410	645,135
Federal grants	10,110	10,110
Miscellaneous	<u>9,417</u>	<u>20,701</u>
Total revenues	<u>45,937</u>	<u>676,045</u>
EXPENDITURES		
Current:		
Instruction	10,993	284,108
Support services-students	8,176	9,176
Support services-instruction	2,365	4,741
Support services-general administration		11,902
Support services-school administration		94,937
Central services		51,852
Operation & maintenance of plant	32,060	83,042
Capital outlay	<u> </u>	<u>6,186</u>
Total expenditures	<u>53,594</u>	<u>545,944</u>
Excess (deficiency) of revenues over expenditures	<u>(7,657)</u>	<u>130,101</u>
OTHER FINANCING SOURCES (USES)		
Proceed from bonds	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>
Net changes in fund balance	(7,657)	130,101
Fund balances at beginning of year	<u>0</u>	<u>79,015</u>
Fund balances end of year	<u><u>\$ (7,657)</u></u>	<u><u>\$ 209,116</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, 2014

		Governmental Funds
Net change in fund balances - total governmental funds	\$	130,101
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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</p>		
Depreciation expense	(3,327)	
Capital outlays	6,186	2,859
Changes in net position of governmental activities	\$	132,960

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN CASH BALANCE - BUDGET AND ACTUAL
(BUDGETARY BASIS) FOR GENERAL FUNDS**

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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Investment income	\$ 100	\$ 100	\$ 94	\$ (6)
State & local grants	424,001	427,758	427,779	21
Miscellaneous	<u> </u>	<u>10,984</u>	<u>11,284</u>	<u>300</u>
Total revenues	<u>424,101</u>	<u>438,842</u>	<u>439,157</u>	<u>315</u>
EXPENDITURES				
Instruction:				
Personnel services	164,856	172,605	170,045	2,560
Employee benefits	66,978	72,432	67,947	4,485
Professional & tech services	5,000	13,080	12,547	533
Purchased property services	2,100	2,834	1,042	1,792
Other purchased services	2,022	9,286	8,391	895
Supplies	2,012	3,381	3,241	140
Supply assets	<u> </u>	<u>7,542</u>	<u>7,542</u>	<u> </u>
Total instruction	<u>242,968</u>	<u>281,160</u>	<u>270,755</u>	<u>10,405</u>
Support services-students:				
Employee benefits	<u> </u>	13	12	1
Other purchased services	<u> </u>	900	900	<u> </u>
Total support services-students	<u> 0</u>	<u> 913</u>	<u> 912</u>	<u> 1</u>
Support services-instruction:				
Professional & tech services	<u>3,500</u>	<u>3,138</u>	<u>2,376</u>	<u>762</u>
Total support services-instruction	<u>3,500</u>	<u>3,138</u>	<u>2,376</u>	<u>762</u>
Support services-general administration:				
Employee benefits	2,500	<u> </u>	<u> </u>	<u> </u>
Professional & tech services	3,775	6,531	6,060	471
Other purchased services	<u>2,400</u>	<u>6,022</u>	<u>5,842</u>	<u>180</u>
Total support services-general administration	<u>8,675</u>	<u>12,553</u>	<u>11,902</u>	<u>651</u>
Support services-school administration:				
Personnel services	71,960	66,520	65,959	561
Employee benefits	25,826	24,504	23,371	1,133
Professional & tech services	<u> </u>	511	511	<u> </u>
Supplies	<u> </u>	725	671	54
Supply assets	<u> </u>	<u>77</u>	<u> </u>	<u>77</u>
Total support services-school administration	<u>\$ 97,786</u>	<u>\$ 92,337</u>	<u>\$ 90,512</u>	<u>\$ 1,825</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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variances
	Original	Final		Positive (Negative) Final to Actual
Central services:				
Professional & tech services	\$ 42,000	\$ 42,069	\$ 42,061	\$ 8
Other purchased services	5,000	5,643	5,642	1
Supplies		853	799	54
Supply assets		72	72	
Total central services	47,000	48,637	48,574	63
Operation & maintenance of plant:				
Personnel services	8,514	9,618	9,231	387
Employee benefits	2,535	3,051	2,570	481
Purchased property services	65,986	42,581	40,817	1,764
Supplies		1,322	1,073	249
Supply assets		120	120	
Total operation & maintenance of plant	77,035	56,692	53,811	2,881
Others:				
Other support services		23,000		23,000
Total others	0	23,000	0	23,000
Total expenditures	476,964	518,430	478,842	39,588
Excess (deficiency) of revenues over expenditures	(52,863)	(79,588)	(39,685)	39,903
Cash balance beginning of year	66,165	(98,693)	79,008	177,701
Cash balance end of year	\$ 13,302	\$ (178,281)	39,323	\$ 217,604

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Excess (deficiency) of revenues over expenditures-cash basis	(39,685)
Net change in account receivable	0
Net change in accounts payable	(4,511)
Excess (deficiency) of revenues over expenditures-GAAP basis	\$ (44,196)

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, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
State & local grants	\$	\$ 3,674	\$ 3,674	\$
Investment income			<u>2</u>	<u>2</u>
Total revenues	<u>0</u>	<u>3,674</u>	<u>3,676</u>	<u>2</u>
EXPENDITURES				
Instruction:				
Supplies		<u>3,681</u>	<u>2,183</u>	<u>1,498</u>
Total instruction	<u>0</u>	<u>3,681</u>	<u>2,183</u>	<u>1,498</u>
Total expenditures	<u>0</u>	<u>3,681</u>	<u>2,183</u>	<u>1,498</u>
Excess (deficiency) of revenues over expenditures	0	(7)	1,493	1,500
Cash balance beginning of year	<u>0</u>	<u>(55)</u>	<u>7</u>	<u>62</u>
Cash balance end of year	<u><u>\$ 0</u></u>	<u><u>\$ (62)</u></u>	<u><u>1,500</u></u>	<u><u>\$ 1,562</u></u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			1,493	
Net change in account receivable			0	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u><u>\$ 1,493</u></u>	

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, 2014

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) that do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

A. 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. 61 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. 61 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. 61 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, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

A. Financial Reporting Entity - 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 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.

Capital project fund

Bond Building (31100) - The revenues are derived from a School Building Bond Issue. The expenditures are restricted to major capital improvements.

B. 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, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

B. Measurement Focus and Basis of Accounting - 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

B. Measurement Focus and Basis of Accounting - Continued

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.

C. 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

C. Basis of Budgeting - Continued

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.

D. 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

E. 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.

F. 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

G. 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.

H. 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

I. 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.

J. 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:

Net 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.

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 “net 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.

K. 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

L. 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.

M. 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.

N. 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.

O. Estimates

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. DEPOSITS AND INVESTMENTS

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Deposits

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

<u>Name of account</u>	<u>People's Bank Balance 6/30/2014</u>	<u>Bank of Albuquerque Balance 6/30/2014</u>	<u>Reconciled Balance</u>	<u>Type</u>
Roots and Wings	\$ <u>60,870</u>	\$ <u>181,527</u>	\$ <u>211,843</u>	Checking
Total deposited	60,870	181,527	<u>\$ 211,843</u>	
Less: FDIC coverage	<u>60,870</u>	<u>181,527</u>		
Uninsured amount	<u>0</u>	<u>0</u>		
50% collateral requirement Pledged securities	<u> </u>	<u> </u>		
Over (under) requirement	<u>\$ 0</u>	<u>\$ 0</u>		

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

Custodial Credit Risk-Deposits

Account Balance	\$ <u>242,397</u>
FDIC Insured	242,397
Collateral:	
Collateral held by the pledging bank, not in the School's name	0
Uninsured and uncollateralized	<u>0</u>
Total deposits	<u>\$ 242,397</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, 2014 none of the School's bank balance of \$242,397 was exposed to custodial credit risk.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances during the year ending June 30, 2014 were as follows:

Due from other funds	Amount	Due to other funds	Amount
Bond building 31100	10,380	GO Bond Stu Library Fund - 27106	679
		2012 GoBond Student Library SB-66 - 27107	1,686
		Public School Capital Outlay - 31200	<u>8,015</u>
Total	<u>\$ 10,380</u>	Total	<u>\$ 10,380</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.

NOTE 4. CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2014 is as follows:

<u>Governmental activities</u>	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital assets being depreciated:				
Buildings & improvements	\$ 48,106	\$ 6,186	\$	\$ 54,292
Equipment and vehicles information technology equipment, software & library books	<u>47,678</u>	<u> </u>	<u> </u>	<u>47,678</u>
Total capital assets being depreciated	<u>95,784</u>	<u>6,186</u>	<u>0</u>	<u>101,970</u>
Less: accumulated depreciation for:				
Building & improvements	(22,698)	(2,862)		(25,560)
Equipment and vehicles information technology equipment, software & library books	<u>(46,186)</u>	<u>(465)</u>	<u> </u>	<u>(46,651)</u>
Total accumulated depreciation	<u>(68,884)</u>	<u>(3,327)</u>	<u>0</u>	<u>(72,211)</u>
Capital assets, net	<u>\$ 26,900</u>	<u>\$ 2,859</u>	<u>\$ 0</u>	<u>\$ 29,759</u>

Depreciation expense was charged to Governmental activities as follows:

Instruction	\$ (465)
Operation & Maintenance of Plant	<u>(2,862)</u>
Total depreciation expenses	<u>\$ (3,327)</u>

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balance of individual funds.

<u>Fund Name</u>	<u>Amount</u>
Public School Capital Outlay 31200	\$ (8,015)

B. Excess of expenditures over appropriations by fund and function.

None.

NOTE 6. 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 some state agency employees) 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.

Funding Policy:

Member Contributions

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

Employer Contributions

School contributed 13.15% of gross covered salary in fiscal year 2014. In fiscal year 2015 School will contribute 13.9% of gross covered salary.

The contribution requirements of plan members and the School are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The School's contributions to ERB for the fiscal years ending June 30, 2014, 2013, and 2012, were \$31,955, \$28,925 and \$21,190 respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. OTHER INFORMATION - (CONTINUED)

B. Retiree Health Care Act Contributions

Plan description: the School contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RCHA 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 RCHA or viewed on their website at www.nmrhca.stat.nm.us.

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. OTHER INFORMATION - (CONTINUED)

B. Retiree Health Care Act Contributions - Continued

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The School's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$4,860, \$5,238, and \$4,034 respectively, which equal the required contributions for each year.

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). Reconciliation's are located at the bottom of each budget actual.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. OTHER INFORMATION - (CONTINUED)

B. Retiree Health Care Act Contributions - Continued

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.

NOTE 7. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

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.

**SUPPLEMENTARY INFORMATION RELATED TO REMAINING
GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

NON MAJOR SPECIAL REVENUE FUNDS

Activity Transportation (23000) - To account for budgeted revenues and expenditures which relate to student activities other than athletics.

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

2010 GO Bond Library Fund (27106) - To be used to fund each library facility for improvement or acquisition and to acquire library resources to support the library program. Funds generated by GO Bonds may not be used to supplant existing or prior library material funding within school receiving these monies.

2012 GoBond Student Library SB-66 (27107) - To be used to fund each student library facility for improvement or acquisition and to acquire library resources to support the student library program. Funds generated by GO Bonds 2012

2010 GOB Instructional Materials (27171) - Funds used to purchase instructional materials for all school sites.

Next Generation Assessments (27185) - To Funding technology to remediate deficiencies in computer devices compliant with the Partnership for Assessment of Readiness for College and Careers assessment requirements.

NON MAJOR CAPITAL PROJECTS REVENUE FUNDS

Public School Capital Outlay (31200) - To account for Critical Capital Outlay funds and other special capital outlay funds received from the State of New Mexico. The funds are restricted for the purposes outlined in the applicable legislation under which the funds were approved. This generally includes construction of new schools or improvements to existing schools.

Capital Improvement SB-9 (31700) - The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NONMAJOR FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Activity Transportation 23000	IDEA, Part B Entitlement 24106	GO Bond Stu Library Fund 27106
ASSETS			
Cash and cash equivalents	\$ 358	\$	\$
Receivables:			
Due from grantor			679
Total assets	358	0	679
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Interfund payable			679
Total liabilities	0	0	679
FUND BALANCES			
Restricted-reported in:			
Special revenue funds	358		
Unassigned - capital project funds			
Total fund balance	358	0	0
Total liabilities and fund balance	\$ 358	\$ 0	\$ 679

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NONMAJOR FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Special Revenue</u>		
	<u>2012 GoBond</u>	<u>2010 GOB</u>	<u>Next</u>
	Student	Instructional	Generation
	Library SB-66	Materials	Assessments
	<u>27107</u>	<u>27171</u>	<u>27185</u>
ASSETS			
Cash and cash equivalents	\$	\$	\$
Receivables:			
Due from grantor	<u>1,686</u>	<u> </u>	<u> </u>
Total assets	<u>1,686</u>	<u> 0</u>	<u> 0</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Interfund payable	<u>1,686</u>	<u> </u>	<u> </u>
Total liabilities	<u>1,686</u>	<u> 0</u>	<u> 0</u>
FUND BALANCES			
Restricted-reported in:			
Special revenue funds			
Unassigned - capital project funds	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u> 0</u>	<u> 0</u>	<u> 0</u>
Total liabilities and fund balance	<u>\$ 1,686</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 BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2014

	Capital Project		
	Public School Capital Outlay 31200	Capital Improvement SB-9 31700	Total
ASSETS			
Cash and cash equivalents	\$	\$	\$ 358
Receivables:			
Due from grantor	_____	_____	2,365
Total assets	0	0	2,723
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Interfund payable	8,015	_____	10,380
Total liabilities	8,015	0	10,380
FUND BALANCES			
Restricted-reported in:			
Special revenue funds			358
Unassigned - capital project funds	(8,015)	_____	(8,015)
Total fund balance	(8,015)	0	(7,657)
Total liabilities and fund balance	\$ 0	\$ 0	\$ 2,723

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, 2014

	Special Revenue		
	Activity Transportation 23000	IDEA, Part B Entitlement 24106	GO Bond Stu Library Fund 27106
REVENUES			
State & local grants	\$	\$	\$ 679
Federal grants		8,176	
Miscellaneous	9,417		
Total revenues	9,417	8,176	679
EXPENDITURES			
Current:			
Instruction	9,059		
Support services-students		8,176	
Support services-instruction			679
Operation & maintenance of plant			
Total expenditures	9,059	8,176	679
Excess (deficiency) of revenues over expenditures	358	0	0
Fund balances at beginning of year	0	0	0
Fund balance end of year	\$ 358	\$ 0	\$ 0

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, 2014

	Special Revenue		
	2012 GoBond Student Library SB-66 27107	2010 GOB Instructional Materials 27171	Next Generation Assessments 27185
REVENUES			
State & local grants	\$ 1,686	\$	\$
Federal grants			1,934
Miscellaneous			
Total revenues	1,686	0	1,934
EXPENDITURES			
Current:			
Instruction			1,934
Support services-students			
Support services-instruction	1,686		
Operation & maintenance of plant			
Total expenditures	1,686	0	1,934
Excess (deficiency) of revenues over expenditures	0	0	0
Fund balances at beginning of year	0	0	0
Fund balance end of year	\$ 0	\$ 0	\$ 0

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014

	Capital Project		Total
	Public School Capital Outlay 31200	Capital Improvement SB-9 31700	
REVENUES			
State & local grants	\$ 24,045	\$	\$ 26,410
Federal grants			10,110
Miscellaneous			9,417
Total revenues	24,045	0	45,937
EXPENDITURES			
Current:			
Instruction			10,993
Support services-students			8,176
Support services-instruction			2,365
Operation & maintenance of plant	32,060		32,060
Total expenditures	32,060	0	53,594
Excess (deficiency) of revenues over expenditures	(8,015)	0	(7,657)
Fund balances at beginning of year	0	0	0
Fund balance end of year	\$ (8,015)	\$ 0	\$ (7,657)

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR REMAINING GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SPECIAL REVENUE FUND - ACTIVITY TRANSPORTATION-23000
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Miscellaneous	\$ _____	\$ 9,451	\$ 9,417	\$ (34)
Total revenues	0	9,451	9,417	(34)
EXPENDITURES				
Instruction:				
Other purchased services		8,751	8,447	304
Supplies	_____	700	612	88
Total instruction	0	9,451	9,059	392
Total expenditures	0	9,451	9,059	392
Excess (deficiency) of revenues over expenditures	0	0	358	358
Cash balance beginning of year	0	0	0	0
Cash balance end of year	\$ 0	\$ 0	358	\$ 358
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			358	
Net change in account receivable			0	
Net change in accounts payable			0	
Excess (deficiency) of revenues over expenditures-GAAP basis			\$ 358	

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, 2014

	Budgeted Amounts		Actual (Budgetary	Variances Positive (Negative)
	Original	Final	Basis)	Final to Actual
REVENUES				
Federal grants	\$	8,195	8,176	(19)
Total revenues	0	8,195	8,176	(19)
EXPENDITURES				
Support services-students:				
Personnel services		247	247	
Employee benefits		34	32	2
Professional & tech services		5,630	5,628	2
Other purchased services		240	240	
Supplies		142	141	1
Supply assets		1,902	1,888	14
Total support services-students	0	8,195	8,176	19
Total expenditures	0	8,195	8,176	19
Excess (deficiency) of revenues over expenditures	0	0	0	0
Cash balance beginning of year	0	(19,596)	0	19,596
Cash balance end of year	0	(19,596)	0	19,596
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			0	
Net change in account receivable			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**

SPECIAL REVENUE FUND - 2010 GO BOND STUDENTS LIBRARY-27106
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Actual</u>
REVENUES				
State & local grants	\$ 680	\$ 680	\$ 1,176	\$ 496
Total revenues	<u>680</u>	<u>680</u>	<u>1,176</u>	<u>496</u>
EXPENDITURES				
Support services-instruction:				
Supply assets	<u>680</u>	<u>680</u>	<u>679</u>	<u>1</u>
Total support services-instruction	<u>680</u>	<u>680</u>	<u>679</u>	<u>1</u>
Total expenditures	<u>680</u>	<u>680</u>	<u>679</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	0	0	497	497
Cash balance beginning of year	<u>0</u>	<u>0</u>	<u>(1,176)</u>	<u>(1,176)</u>
Cash balance end of year	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>(679)</u></u>	<u><u>(679)</u></u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			497	
Net change in account receivable			(497)	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u><u>0</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 - 2012 GO BOND STUDENT LIBRARY SB-66 FUND-27107
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>		
<i>REVENUES</i>				
State & local grants	\$ 3,055	\$ 3,055	\$	\$ (3,055)
Total revenues	<u>3,055</u>	<u>3,055</u>	<u>0</u>	<u>(3,055)</u>
<i>EXPENDITURES</i>				
Support services-instruction:				
Supply assets	<u>3,055</u>	<u>3,055</u>	<u>1,686</u>	<u>1,369</u>
Total support services-instruction	<u>3,055</u>	<u>3,055</u>	<u>1,686</u>	<u>1,369</u>
Total expenditures	<u>3,055</u>	<u>3,055</u>	<u>1,686</u>	<u>1,369</u>
Excess (deficiency) of revenues over expenditures	0	0	(1,686)	(1,686)
Cash balance beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash balance end of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>(1,686)</u></u>	<u><u>\$ (1,686)</u></u>
<i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i>				
Excess (deficiency) of revenues over expenditures-cash basis			(1,686)	
Net change in account receivable			1,686	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u><u>\$ 0</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 GOB INSTRUCTIONAL MATERIALS-27171
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Actual</u>
<i>REVENUES</i>				
State & local grants	\$ <u> </u>	\$ <u> </u>	\$ <u> 2,572 </u>	\$ <u> 2,572 </u>
Total revenues	<u> 0</u>	<u> 0</u>	<u> 2,572</u>	<u> 2,572</u>
<i>EXPENDITURES</i>				
Total expenditures	<u> 0</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>
Excess (deficiency) of revenues over expenditures	0	0	2,572	2,572
Cash balance beginning of year	<u> 0</u>	<u> 0</u>	<u> (2,572) </u>	<u> (2,572) </u>
Cash balance end of year	<u> 0</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>
<i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i>				
Excess (deficiency) of revenues over expenditures-cash basis			2,572	
Net change in account receivable			(2,572)	
Net change in accounts payable			<u> 0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u> 0</u>	

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

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

SPECIAL REVENUE FUND - NEXT GENERATION ASSESSMENTS-27185
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Federal grants	\$	1,934	1,934	\$
Total revenues	0	1,934	1,934	0
EXPENDITURES				
Instruction:				
Supply assets		1,934	1,934	
Total instruction	0	1,934	1,934	0
Total expenditures	0	1,934	1,934	0
Excess (deficiency) of revenues over expenditures	0	0	0	0
Cash balance beginning of year	0	0	0	0
Cash balance end of year	\$ 0	\$ 0	0	\$ 0
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			0	
Net change in account receivable			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 - BOND BUILDING-31100
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>		
REVENUES				
State & local grants	\$	\$ 187,272	\$ 187,272	\$
Investment income			<u>3</u>	<u>3</u>
Total revenues	<u>0</u>	<u>187,272</u>	<u>187,275</u>	<u>3</u>
EXPENDITURES				
Instruction:				
Repair & maintenance		<u>19,500</u>	<u>3,456</u>	<u>16,044</u>
Total instruction	<u>0</u>	<u>19,500</u>	<u>3,456</u>	<u>16,044</u>
Operation & maintenance of plant:				
Repair & maintenance		<u>87,772</u>	<u>3,358</u>	<u>84,414</u>
Total operation & maintenance of plant	<u>0</u>	<u>87,772</u>	<u>3,358</u>	<u>84,414</u>
Total expenditures	<u>0</u>	<u>107,272</u>	<u>6,814</u>	<u>100,458</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>80,000</u>	<u>180,461</u>	<u>100,461</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Bonds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net changes in fund balances	0	80,000	180,461	100,461
Cash balance beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash balance end of year	<u>\$ 0</u>	<u>\$ 80,000</u>	<u>180,461</u>	<u>\$ 100,461</u>

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Net changes in fund balances-cash basis	180,461
Net change in account receivable	0
Net change in accounts payable	<u>0</u>
Net changes in fund balances-GAAP basis	<u>\$ 180,461</u>

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

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

CAPITAL PROJECT 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, 2014

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Actual</u>
REVENUES				
State & local grants	\$	32,060	24,045	(8,015)
Total revenues	<u>0</u>	<u>32,060</u>	<u>24,045</u>	<u>(8,015)</u>
EXPENDITURES				
Operation & maintenance of plant:				
Purchased property services		32,060	32,060	
Total operation & maintenance of plant	<u>0</u>	<u>32,060</u>	<u>32,060</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>32,060</u>	<u>32,060</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	0	0	(8,015)	(8,015)
Cash balance beginning of year	<u>0</u>	<u>(23,794)</u>	<u>0</u>	<u>23,794</u>
Cash balance end of year	<u>\$ 0</u>	<u>\$ (23,794)</u>	<u>(8,015)</u>	<u>\$ 15,779</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			(8,015)	
Net change in account receivable			0	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ (8,015)</u>	

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

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

CAPITAL PROJECT FUND - CAPITAL IMPROVEMENT SB-9 FUND-31700
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Actual</u>
REVENUES				
State & local grants	\$ <u> </u>	\$ <u> 1,524</u>	\$ <u> 1,328</u>	\$ <u> (196)</u>
Total revenues	<u> 0</u>	<u> 1,524</u>	<u> 1,328</u>	<u> (196)</u>
EXPENDITURES				
Instruction:				
Repair & maintenance	<u> </u>	<u> 1,524</u>	<u> </u>	<u> 1,524</u>
Total instruction	<u> 0</u>	<u> 1,524</u>	<u> 0</u>	<u> 1,524</u>
Total expenditures	<u> 0</u>	<u> 1,524</u>	<u> 0</u>	<u> 1,524</u>
Excess (deficiency) of revenues over expenditures	0	0	1,328	1,328
Cash balance beginning of year	<u> 0</u>	<u> (1,328)</u>	<u> (1,328)</u>	<u> 0</u>
Cash balance end of year	<u> 0</u>	<u> (1,328)</u>	<u> 0</u>	<u> 1,328</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			1,328	
Net change in account receivable			(1,328)	
Net change in accounts payable			<u> 0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u> 0</u>	

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
CASH RECONCILIATION - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

		Beginning Balance <u>6/30/2013</u>	Revenue	Expenditures	Prior Year Warrants Voided/Other Adjustments	Ending Cash Balance <u>6/30/2014</u>
Operational	11000	\$ 79,008	\$ 439,157	\$ 478,841	\$ 580	\$ 39,904
Instructional materials	14000	7	3,676	2,183		1,500
Non-Instructional Fund	23000		9,417	9,059		358
Federal Flowthrough	24000		8,176	8,176		
State Flowthrough	27000	(3,748)	5,682	4,299		(2,365)
Bond Building Fund	31100		187,275	6,814		180,461
Public School Capital Outlay	31200		24,045	32,060		(8,015)
Senate Bill Nine	31700	<u>(1,328)</u>	<u>1,328</u>	<u> </u>	<u> </u>	<u> </u>
Total		<u>\$ 73,939</u>	<u>\$ 678,756</u>	<u>\$ 541,432</u>	<u>\$ 580</u>	<u>\$ 211,843</u>

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

COMPLIANCE SECTION

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 of the Roots & Wings Community School (School) as of and for the year ended June 30, 2014, 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 November 03, 2014.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider as item 2014-001 to be significant deficiencies.

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 2012-001 (FS 12-01).

The School's Response to Findings

The School's responses to the findings identified in our audit are 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
November 03, 2014

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- | | | |
|-------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------|
| • Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| • Significant deficiency(ies) identified that are not considered to be material weakness? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> None reported |
| • Noncompliance material to financial statements noted? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION II. AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2012-001 (FS 12-01) Personnel Files - Modified & Repeated (Compliance)

Condition

During our walkthrough and testwork of the payroll transaction cycle, we noted the following exceptions:

- 7 out of 10 employees did not have employment contract in their files.
- 1 out of 10 employee did not have I-9 form in their files
- 2 out of 10 employees did not have W-4 form in his file.
- 5 out of 10 employees did not have security investigation covering the last five years.
- For all employees did not have explanation of drug free policy in their files.

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. The School shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Cause

For the fiscal year 2014 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, 2014

SECTION II. AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2012-001 (FS 12-01) Personnel Files - Modified & Repeated (Compliance) - Cont'd

Management Response

- Seven out of ten employees did not have employment contracts in place: This is true for substitute teachers and substitute custodians; they are on-call for various schools in Taos County and therefore cannot be contracted. 2013-2014 was a year of high turnover for the school in non-instruction positions from January through May. It was the school's procedure to try out people for various positions to see if they would work out before they were issued a contract. Long-term positions will be issued a contract in the future.
- One out of ten employees did not have an I-9 in their files: This is true; an employee was hired and worked for a short time and hadn't turned in all their paperwork into the business office before beginning work.
- Two out of 10 employees did not have W-4 form in their file: This is true; two employees worked for a short time and hadn't turned in all their paperwork into the business office before beginning work. The withholding on their paycheck(s) was Single with 0 dependents (max tax) since one had not been received by the business office.
- Five out of ten employees did not have security investigation covering the last five years: This is true; employees were hired and began work without a background check in place. All employees are now required to have a background check covering the last five years in their file.
- For all employees, none have explanation of drug free policy in their files: This is true; however, staff is issued a Faculty and Staff Handbook with policy and procedures each year that has the drug free policy included in it. Since it is now required that a copy be in their file, both the employee and director will sign and date a copy of those pages which will then be included in each employee file annually.
- For all: The director and business manager will go over every 2014-2015 employee file to make sure the school is in compliance on all issues listed above.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014**

SECTION II. AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS - CONT'D

2014-001 Internal Control over Cash Receipt (Significant deficiency)

Condition

During our internal control test work over cash receipts, we noted the following

- In 1 out of 20 items tested for a total of \$240, cash receipt did not agree to supporting documents and bank statements.
- In 1 out of 20 items tested for a total of \$240, cash receipt amount is not properly recorded and classified.

Criteria

Sound accounting policies require that a complete, balanced general ledger be maintained to record transactions and report financial information.

NMAC 6.20.2.11 states that an internal control structure shall be established to safe-guard assets and insure proper accurate records.

Cause

The School did not maintain an organized and reliable general ledger electronically or manually. Additionally, the School experienced have high turnover of personnel in the administrative/accounting section.

Effect

The School is in violation of NMAC 6.20.2.11. The School does not have a control structure in place to adequately document and monitor the competence of all cash receipts.

Recommendation

The School should follow its internal controls over receipts that are in place and perform periodic reviews of the proper documentation to ensure that they are operating effectively.

The School should implement procedures to ensure that all activity the School is responsible for is properly recorded in the general ledger

Management Response

- While all cash received was deposited to the bank in a timely basis, backup detail for the deposit was not attached to the receipt by new staff. They are now trained and know that all supporting documentation must be given to the business manager on a timely basis. This includes a copy of receipted money, the log book on monies received, and the bank deposit slip.
- Not all cash received for trips was documented in detail indicating which parent/student the amounts received were not for, nor the trip/event the amounts received was for. It is the school's intention to use all funds received for all trips/events and for all students regardless if a student/parent can assist in funding or not.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2014

<u>Findings</u>	<u>Status</u>
2012-001(FS 12-01) Personnel Files - Compliance and internal Control	Modified & Repeated

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
OTHER DISCLOSURES
JUNE 30, 2014

PREPARATION OF FINANCIAL STATEMENTS

The combining and individual fund financial statements and notes to the financial statements for the year ended June 30, 2014 were prepared by Harshwal & Company LLP, CPA, based on management's chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held on November 13th, 2014. The following individuals were in attendance:

Roots & Wings Community School New Mexico

Michael Rael- Board President

Karen Quintana Shannon- Business Manager

Nancy Gonzalez- School Director

Harshwal & Company LLP

Sanwar Harshwal, CPA, Managing Partner

Vaishali Shukla, Audit Manager