

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
ANNUAL FINANCIAL REPORT
JUNE 30, 2015**

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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, 2015

BOARD OF EDUCATION

Michael G. Rael, Sr.	President
Jules Epstein	Vice President
Lisa Clark	Secretary

SCHOOL OFFICIALS

Nancy Gonzalez	Principal/Director
Charlotte Archuleta	Business Manager
Maria Medina	School Secretary

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Mr. Timothy Keller
State Auditor of the State of New Mexico
Board Members of the Roots & Wings Community School
Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and 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, 2015, 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, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the 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, 2015, 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, 2015, 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 9 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 10, 2015 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 10, 2015

MANAGEMENT DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

This Management Discussion and Analysis of the fiscal performance of the Roots & Wings Community School (School) for the period ending June 30, 2015 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, 2015. 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, 2015

SIGNIFICANT FINANCIAL HIGHLIGHTS FOR THE YEAR ENDING JUNE 30, 2015

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 \$77,171 was recorded. This includes current year depreciation of \$4,960 and prior year accumulated depreciation of \$72,211.

The overall adjusted Fund Balance decreased from \$209,116 for the year ending June 30, 2014 to \$132,535 for the year ending June 30, 2015. This represents an decrease in the fund balance of \$76,581.

Deferred outflows of resources of \$33,539 related to pension and employer contributions subsequent to the measurement date and deferred inflows of resources of \$91,990 related to a pension plan are reported in the Statement of Net Position at June 30, 2015. These items are the result of the implementation of GASB 68 as it relates to the School's proportionate share of the NM Educational Retirement Board Pension Plan, a multiple employer cost sharing defined benefit pension plan.

Total revenues decreased from \$676,045 in the year ending June 30, 2014 to \$499,757 in the year ending June 30, 2015. This is a decrease of \$176,288 reflecting an overall revenue decrease of 26%. The most significant reason for this decrease is due to decrease in state & local grants.

Total expenditures increased from \$545,944 for the year ending June 30, 2014 to \$576,338 for the year ending June 30, 2015. This is an increase in expenditures of \$30,394.

The School implemented GASB 68 which required the School to recognize its proportionate share of the NM Educational Retirement Board Pension Plan. Additional information regarding the impact of this change is reflected in Note 5 of the financial statements.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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 \$205,077. The School has \$136,426 of cash and cash equivalents on hand as of June 30, 2015 compared to \$600,431 in accounts payable and other current liabilities. Net Position totaling \$(526,965) are "unrestricted".

	<u>June 30, 2015</u>
ASSETS	
Cash assets	\$ 136,426
Other current assets	1,313
Capital assets	110,970
Less: Accumulated depreciation	(77,171)
Deferred outflows related to pension	33,539
Total assets and deferred outflows related to pension	<u>205,077</u>
LIABILITIES	
Accounts payable	4,512
Other current liabilities	<u>692</u>
Deferred inflows related to pension	<u>91,990</u>
Net Pension Liability	<u>503,237</u>
Total liabilities and Deferred inflows related to pension	<u>600,431</u>
NET POSITION	
Net investment in capital assets	33,799
Special revenue funds	1,358
Capital projects	96,454
Unrestricted	<u>(526,965)</u>
Total net position	<u>\$ (395,354)</u>

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 \$4,960. 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, 2015

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, 2015. As of June 30, 2015 the School had net position of \$(395,354). The Adjusted beginning year total net position is \$238,875 reflecting an decrease in total net position of \$634,229 for the year ending June 30, 2015.

	<u>June 30, 2015</u>
Expenses for governmental activities	\$ (560,120)
Less operating grants and contributions	57,893
Net (Expenses) revenues and changes in net position	(502,227)
General revenues:	
Federal and state aid not restricted to specific purpose General	419,368
Interest and investment earnings	59
Miscellaneous	22,437
Subtotal, general revenues	441,864
Changes in net position	(60,363)
Net position - beginning	238,875
Restatement for GASB 68	(573,866)
Net position - ending	\$ (395,354)

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 \$499,757. Total expenditures for the School were \$576,338. The total ending fund balance was \$132,535; an decrease of \$76,581 from the prior year.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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 %
2014/2015	\$ 499,757	(26)%	\$ 576,338	6 %

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.

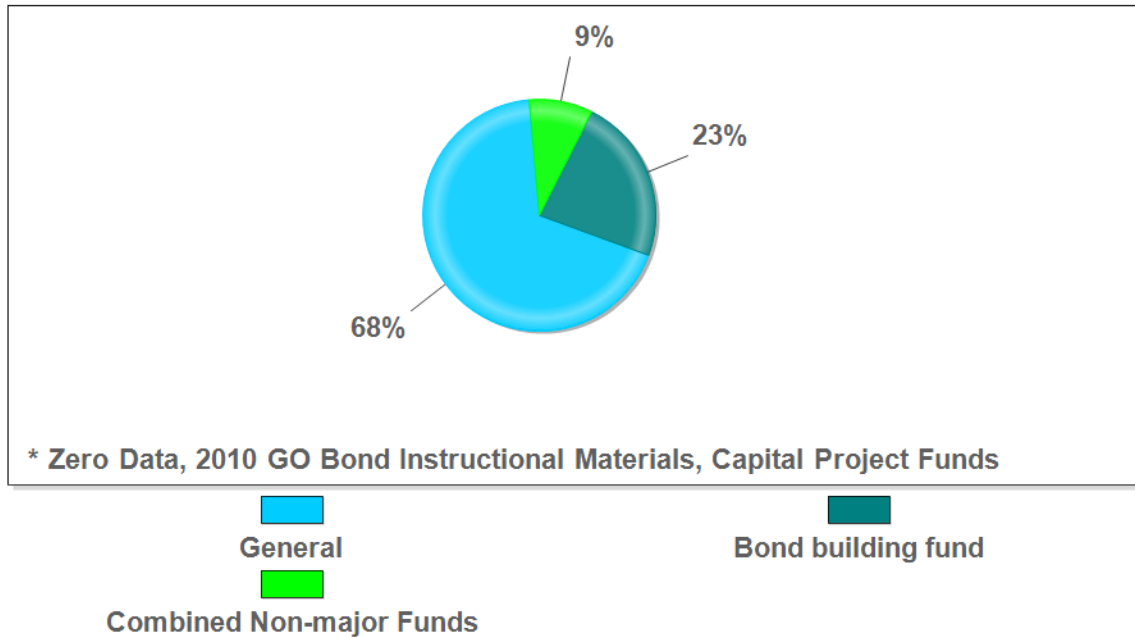
GASB 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

Major budgetary funds in these reports are; The General Fund and Bond Building 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, 2015**

THE BUDGET - Cont'd

Budgetary Comparison



The reader will note that the General Fund represents 68% 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, 2015. 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, 2015**

MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE

<u>Fund Type</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 462,904	\$ 405,739	\$ 57,165
Bond Building fund	\$ 156,898	\$ 84,008	\$ 72,890

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

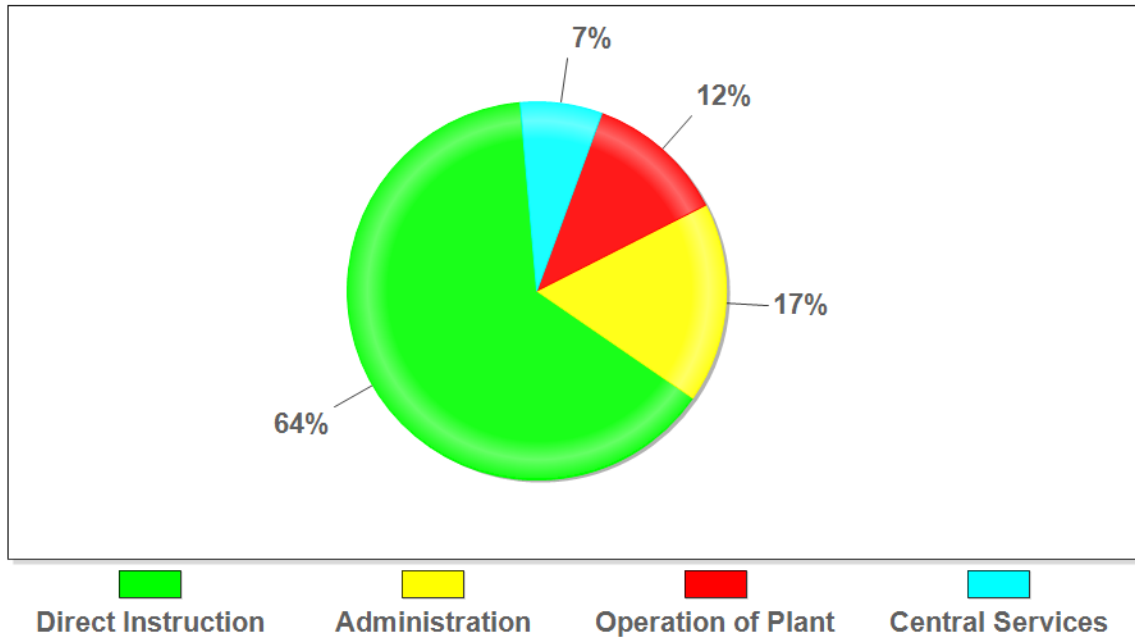
The General Fund revenue represents \$424,585 of the total \$499,757 in overall School revenues. The impact of this fund must be kept in context. The General Fund began the year with an initial budget of \$423,646 and had a final budget of \$423,855.

Because the General Fund is the main fund whose expenditures are significantly related to the educational process, \$405,738 was expended in the year ending June 30, 2015. The most significant inter-fund expenditure was for the function noted as "Direct Instruction". This expenditure was \$260,213 and represents 64% 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, 2015**

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, 2015 for the General Fund. Direct Instruction represents 64% 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 and Central Services represents 24% 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 12% 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, 2015**

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, 2014</u>	<u>Balance June 30, 2015</u>
Buildings & improvements	\$ 54,292	\$ 54,292
Equipment and vehicles information technology equipment, software & library books	<u>47,678</u>	<u>56,678</u>
Total Capital Assets	<u>101,970</u>	<u>110,970</u>
Less Accumulated Depreciation	<u>(72,211)</u>	<u>(77,171)</u>
Capital Assets-Net	<u>\$ 29,759</u>	<u>\$ 33,799</u>

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 136,426
Due from grantor	<u>1,313</u>
Total current assets	<u>137,739</u>
Noncurrent assets:	
Capital assets	110,970
Less: accumulated depreciation	<u>(77,171)</u>
Total noncurrent assets	<u>33,799</u>
Total assets	<u>171,538</u>
DEFERRED OUTFLOWS OF RESOURCES	
Employer contributions subsequent to the measurement date	<u>33,539</u>
Total deferred outflows of resources	<u>33,539</u>
LIABILITIES	
Current liabilities:	
Account payable	4,512
Other liabilities	580
Accrued payroll	<u>112</u>
Total current liabilities	<u>5,204</u>
Noncurrent liabilities	
Net pension liability	<u>503,237</u>
Total noncurrent liabilities	<u>503,237</u>
Total liabilities	<u>508,441</u>
DEFERRED INFLOWS OF RESOURCES	
Actuarial experience	7,493
Investment experience	45,726
Change in proportion	<u>38,771</u>
Total deferred inflows of resources	<u>91,990</u>
NET POSITION	
Net investment in capital assets	33,799
Restricted for:	
Special revenue funds	1,358
Capital projects	96,454
Unrestricted	<u>(526,965)</u>
Total net position	<u>\$ (395,354)</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, 2015

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	\$ 309,139	\$	\$ 2,658	\$	\$ (306,481)
Support services-students	10,195		22,801		12,606
Support services-instruction	2,609				(2,609)
General administration	5,138				(5,138)
School administration	64,172				(64,172)
Central services	29,522				(29,522)
Operation of plant	<u>139,345</u>		<u>32,434</u>		<u>(106,911)</u>
Total governmental activities	<u>\$ 560,120</u>	<u>\$ 0</u>	<u>\$ 57,893</u>	<u>\$ 0</u>	<u>(502,227)</u>
General revenues					
Federal and state aid not restricted to specific purpose:					
General					419,368
Interest and investment earnings					59
Miscellaneous					<u>22,437</u>
Subtotal, general revenues					<u>441,864</u>
<i>CHANGE IN NET POSITION</i>					(60,363)
<i>NET POSITION - BEGINNING</i>					<u>238,875</u>
<i>RESTATEMENT FOR GASB 68</i>					<u>(573,866)</u>
<i>NET POSITION - RESTATED</i>					<u>(334,991)</u>
<i>NET POSITION - ENDING</i>					<u>\$ (395,354)</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, 2015

	<u>General Funds</u>		<u>Capital Project Fund</u>
	Operational	Instructional	Bond
	11000	14000	31100
ASSETS			
Cash and cash equivalents	\$ 35,636	\$ 2,978	\$ 96,454
Receivables:			
Due from grantor			
Interfund receivable	<u>21,742</u>	<u> </u>	<u> </u>
Total assets	<u>57,378</u>	<u>2,978</u>	<u>96,454</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Account payable	4,512		
Accrued payroll	105		
Other liabilities	580		
Interfund payable	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>5,197</u>	<u>0</u>	<u>0</u>
FUND BALANCES			
Restricted-reported in:			
Special revenue funds			
Capital improvements			96,454
Unassigned	<u>52,181</u>	<u>2,978</u>	<u> </u>
Total fund balance	<u>52,181</u>	<u>2,978</u>	<u>96,454</u>
Total liabilities and fund balance	<u>\$ 57,378</u>	<u>\$ 2,978</u>	<u>\$ 96,454</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, 2015

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,358	\$ 136,426
Receivables:		
Due from grantor	1,313	1,313
Interfund receivable	<u> </u>	<u>21,742</u>
Total assets	<u>2,671</u>	<u>159,481</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Account payable		4,512
Accrued payroll	7	112
Other liabilities		580
Interfund payable	<u>21,742</u>	<u>21,742</u>
Total liabilities	<u>21,749</u>	<u>26,946</u>
FUND BALANCES		
Restricted-reported in:		
Special revenue funds	1,358	1,358
Capital improvements		96,454
Unassigned	<u>(20,436)</u>	<u>34,723</u>
Total fund balance	<u>(19,078)</u>	<u>132,535</u>
Total liabilities and fund balance	<u>\$ 2,671</u>	<u>\$ 159,481</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, 2015

		<u>Governmental Funds</u>
Total fund balance - governmental funds	\$	132,535
<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	110,970	
Accumulated depreciation	<u>(77,171)</u>	<u>33,799</u>
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:</p>		
Deferred outflows of resources related to pension	33,539	
Deferred inflows of resources related to pension	<u>(91,990)</u>	<u>(58,451)</u>
<p>Certain liabilities, including net pension liability are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Net pension liability	<u>(503,237)</u>	<u>(503,237)</u>
Total net position - governmental activities	\$	<u><u>(395,354)</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, 2015**

	General Funds		Capital Project Fund
	Operational 11000	Instructional Materials 14000	Bond Building 31100
REVENUES			
State & local grants	\$ 419,369	2,658	
Investment income	55	3	1
Miscellaneous	2,500		
Total revenues	421,924	2,661	1
EXPENDITURES			
Current:			
Instruction	259,030	1,183	18,744
Support services-students	17		
Support services-instruction	1,214		
Support services-general administration	5,138		
Support services-school administration	63,497		
Central services	28,022		1,500
Operation & maintenance of plant	47,637		63,764
Capital outlay			
Total expenditures	404,555	1,183	84,008
Excess (deficiency) of revenues over expenditures	17,369	1,478	(84,007)
OTHER FINANCING SOURCES (USES)			
Proceed from bonds	0	0	0
Total other financing sources (uses)	0	0	0
Net changes in fund balance	17,369	1,478	(84,007)
Fund balances at beginning of year	34,812	1,500	180,461
Fund balances end of year	\$ 52,181	\$ 2,978	\$ 96,454

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, 2015**

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
<i>REVENUES</i>		
State & local grants	\$ 55,234	\$ 477,261
Investment income		59
Miscellaneous	<u>19,937</u>	<u>22,437</u>
Total revenues	<u>75,171</u>	<u>499,757</u>
<i>EXPENDITURES</i>		
Current:		
Instruction	40,262	319,219
Support services-students	10,178	10,195
Support services-instruction	1,395	2,609
Support services-general administration		5,138
Support services-school administration	675	64,172
Central services		29,522
Operation & maintenance of plant	25,082	136,483
Capital outlay	<u>9,000</u>	<u>9,000</u>
Total expenditures	<u>86,592</u>	<u>576,338</u>
Excess (deficiency) of revenues over expenditures	<u>(11,421)</u>	<u>(76,581)</u>
<i>OTHER FINANCING SOURCES (USES)</i>		
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	(11,421)	(76,581)
Fund balances at beginning of year	<u>(7,657)</u>	<u>209,116</u>
Fund balances end of year	<u><u>\$ (19,078)</u></u>	<u><u>\$ 132,535</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, 2015

		<u>Governmental Funds</u>
Net change in fund balances - total governmental funds	\$	(76,581)
<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	(4,960)	
Capital outlays	9,000	4,040
<p>Governmental funds report School's pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>		
Pension expense	(21,361)	
Pension contributions	33,539	12,178
Changes in net position of governmental activities	\$	(60,363)

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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Budgetary Basis)	Positive (Negative) Final to Actual
REVENUES				
Investment income	\$ (75)	\$ (75)	\$ 55	\$ 130
State & local grants	419,159	419,368	419,369	1
Miscellaneous	2,500	2,500	2,500	
Total revenues	421,584	421,793	421,924	131
EXPENDITURES				
Instruction:				
Personnel services	181,381	181,555	174,796	6,759
Employee benefits	80,570	85,136	72,084	13,052
Professional & tech services	6,300	6,654	6,648	6
Purchased property services		2,900	1,011	1,889
Other purchased services	1,535	1,575	1,442	133
Supplies		5,535	3,050	2,485
Total instruction	269,786	283,355	259,031	24,324
Support services-students:				
Employee benefits	18	18	17	1
Total support services-students	18	18	17	1
Support services-instruction:				
Professional & tech services	3,000	3,000	1,214	1,786
Total support services-instruction	3,000	3,000	1,214	1,786
Support services-general administration:				
Professional & tech services	4,956	5,065	3,688	1,377
Other purchased services	4,060	2,174	1,392	782
Supply assets		59	58	1
Total support services-general administration	9,016	7,298	5,138	2,160
Support services-school administration:				
Personnel services	33,479	45,414	44,698	716
Employee benefits	13,008	21,370	16,647	4,723
Professional & tech services		875	275	600
Supplies		1,886	1,877	9
Total support services-school administration	\$ 46,487	\$ 69,545	\$ 63,497	\$ 6,048

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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Budgetary Basis)	Positive (Negative) Final to Actual
Central services:				
Personnel services	\$	\$ 15,000	\$ 15,000	\$
Employee benefits		2,617	2,533	84
Professional & tech services	42,000	5,124	4,399	725
Other purchased services	5,700	5,944	5,472	472
Supplies		1,051	618	433
Total central services	47,700	29,736	28,022	1,714
Operation & maintenance of plant:				
Personnel services	6,644	8,144	7,998	146
Employee benefits	2,183	2,640	2,589	51
Purchased property services	67,190	38,999	35,846	3,153
Supplies		1,608	1,204	404
Total operation & maintenance of plant	76,017	51,391	47,637	3,754
Others:				
Other support services		15,000		15,000
Total others	0	15,000	0	15,000
Total expenditures	452,024	459,343	404,556	54,787
Excess (deficiency) of revenues over expenditures	(30,440)	(37,550)	17,368	54,918
Cash balance beginning of year	13,302	(178,281)	39,323	217,604
Cash balance end of year	\$ (17,138)	\$ (215,831)	56,691	\$ 272,522

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Excess (deficiency) of revenues over expenditures-cash basis	17,368
Net change in account receivable	0
Net change in accounts payable	1
Excess (deficiency) of revenues over expenditures-GAAP basis	\$ 17,369

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, 2015

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) <u>Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
<i>REVENUES</i>				
State & local grants	\$ 2,061	\$ 2,061	\$ 2,658	\$ 597
Investment income	<u>1</u>	<u>1</u>	<u>3</u>	<u>2</u>
Total revenues	<u>2,062</u>	<u>2,062</u>	<u>2,661</u>	<u>599</u>
<i>EXPENDITURES</i>				
Instruction:				
Supplies	<u>2,563</u>	<u>3,561</u>	<u>1,183</u>	<u>2,378</u>
Total instruction	<u>2,563</u>	<u>3,561</u>	<u>1,183</u>	<u>2,378</u>
Total expenditures	<u>2,563</u>	<u>3,561</u>	<u>1,183</u>	<u>2,378</u>
Excess (deficiency) of revenues over expenditures	(501)	(1,499)	1,478	2,977
Cash balance beginning of year	<u>0</u>	<u>(62)</u>	<u>1,500</u>	<u>1,562</u>
Cash balance end of year	<u><u>\$ (501)</u></u>	<u><u>\$ (1,561)</u></u>	<u><u>2,978</u></u>	<u><u>\$ 4,539</u></u>
<i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i>				
Excess (deficiency) of revenues over expenditures-cash basis			1,478	
Net change in account receivable			0	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u><u>\$ 1,478</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, 2015

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.

During the year ended June 30, 2015, the School adopted GASB Statements No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 (“GASB 68”), and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 (“GASB 71”). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 6/30/2015</u>	<u>Bank of Albuquerque Balance 6/30/2015</u>	<u>Reconciled Balance</u>	<u>Type</u>
Operating	\$ 93,285	\$	\$ 39,972	Checking
Ed Grt	<u> </u>	<u>96,454</u>	<u>96,454</u>	Savings
Total deposited	93,285	96,454	<u>\$ 136,426</u>	
Less: FDIC coverage	<u>93,285</u>	<u>96,454</u>		
Uninsured amount	<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>189,739</u>
FDIC Insured	189,739
Collateral:	
Collateral held by the pledging bank, not in the School's name	0
Uninsured and uncollateralized	<u>0</u>
Total deposits	<u>\$ 189,739</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, 2015 none of the School's bank balance of \$189,739 was exposed to custodial credit risk.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances during the year ending June 30, 2015 were as follows:

Due from other funds	Amount	Due to other funds	Amount
Operational - 11000	21,742	Nonmajor governmental funds	21,742
Total	\$ 21,742	Total	\$ 21,742

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, 2015 is as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Governmental activities				
Capital assets being depreciated:				
Buildings & improvements	\$ 54,292	\$	\$	\$ 54,292
Equipment and vehicles information technology equipment, software & library books	47,678	9,000		56,678
Total capital assets being depreciated	101,970	9,000	0	110,970
Less: accumulated depreciation for:				
Building & improvements	(25,560)	(2,862)		(28,422)
Equipment and vehicles information technology equipment, software & library books	(46,651)	(2,098)		(48,749)
Total accumulated depreciation	(72,211)	(4,960)	0	(77,171)
Capital assets, net	\$ 29,759	\$ 4,040	\$ 0	\$ 33,799

Depreciation expense was charged to Governmental activities as follows:

Instruction	\$ 2,098
Operation & maintenance of plant	2,862
Total depreciation expenses	\$ 4,960

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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>
GO Bond Act 27105	\$ 108
2012 Go Bond Student Library SB-66 27107	1,287
New Mexico Reads to Lead K-3 Reading Initiative 27114	9,377
Public School Capital Outlay 31200	8,140
Capital Improvement SB-9 31700	1,524

B. Excess of expenditures over appropriations by fund and function. The following funds exceeded approved budgetary authority for the year ended June 30, 2015.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
<u>GO Bond Act 27105</u>				
Support services - Instruction	\$ _____	\$ _____	\$ 108	\$ (108)
<u>Public School Capital Outlay 31200</u>				
Operation & maintenance of plant	\$ _____	\$ _____	\$ 32,558	\$ (32,558)

NOTE 6. OTHER INFORMATION

A. Post-Employment Benefits- State Retiree Health Care Plan

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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6. OTHER INFORMATION - (CONTINUED)

A. Retiree Health Care Act Contributions - Continued

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf, unless that person retires before the employer's RHCA effective date, in which 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; (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 RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.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 employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6. OTHER INFORMATION - (CONTINUED)

A. 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 officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, 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, 2015, 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 1.0% 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, 2015, 2014 and 2013 were \$4,817, \$4,860, and \$5,238 respectively, which equal the required contributions for each year.

B. 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, 2015

NOTE 6. OTHER INFORMATION - (CONTINUED)

C. 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

D. 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. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB)

General Information about the Pension Plan

Plan description. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates. ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://www.nmerb.org>.

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

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)

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

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the Cola would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)

Contributions. The contribution requirements of defined benefit plan members and the School are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the School were \$33,539 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the School reported a liability of \$503,237 for its proportionate share of the net pension liability. The School's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the School's proportion was 0.0088% percent, which was an increase of 0.00083 from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the School recognized pension expense of \$21,361. At the June 30, 2015, the School reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 7,493
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	45,726
Changes in proportion and differences between School contributions and proportionate share of contributions	0	38,771
School contributions subsequent to the measurement date	<u>33,539</u>	<u>0</u>
Total	<u>\$ 33,539</u>	<u>\$ 91,990</u>

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)

\$33,539 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2016	\$ 27,500
2017	27,500
2018	25,572
2019	<u>11,418</u>
Total	<u>\$ 91,990</u>

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

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset valuation method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

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ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)

<u>Asset Class</u>	<u>2014 Long-Term Expected Real Rate of Return</u>	<u>2013 Long-Term Expected Real Rate of Return</u>
Cash	1.50%	0.75%
Treasuries	2.00	1.00
IG Corp Credit	3.50	3.00
MBS	2.25	2.50
Core Bonds	2.53	2.04
TIPS	2.50	1.50
High Yield Bonds	4.50	5.00
Bank Loans	5.00	5.00
Global Bonds (Unhedged)	1.25	0.75
Global Bonds (Hedged)	1.38	0.93
EMD External	5.00	4.00
EMD Local Currency	5.75	5.00
Large Cap Equities	6.25	6.75
Small/Mid Cap	6.25	7.00
International Equities (Unhedged)	7.25	7.75
International Equities (Hedged)	7.50	8.00
Emerging International Equities	9.50	9.75
Private Equity	8.75	9.00
Private Debt	8.00	8.50
Private Real Assets	7.75	8.00
Real Estate	6.25	6.00
Commodities	5.00	5.00
Hedge Funds Low Vol	5.50	4.75
Hedge Funds Mod Vol	5.50	6.50

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history. Sensitivity of the (name of employer)'s proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the School's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

ERB Fund Division (A)	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	\$ <u>684,714</u>	\$ <u>503,238</u>	\$ <u>351,500</u>

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

Payables to the pension plan. The School doesn't have any amount due to the plan as on June 30, 2015. .

NOTE 8. NET POSITION RESTATEMENT

A prior period adjustment of \$(573,866) has been reflected in the School's financial statements to record the net pension asset/liability, deferred outflows/inflows, and adjusted pension expense and net position in accordance to GASB 68.

Beginning net position as previously reported at June 30, 2014	\$ 238,875
Prior period adjustment - Implementation GASB 68:	
Net pension liability (measurement date)	(605,820)
Deferred outflows - School's contributions made during fiscal year 2014	31,954
Total prior period adjustment	(573,866)
Net position as restated, July 1, 2014	\$ <u>(334,991)</u>

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

In February 2015, GASB Statement No. 72 Fair Value Measurement and Application, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The School will implement this standard during the fiscal year ended June 30, 2016. The School is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The School is still evaluating how this pronouncement will affect the School.

In June 2015, GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not effect the School's financial statements.

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The School is still evaluating how this pronouncement will affect the School.

In June 2015, GASB Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The School will implement this standard during the fiscal year ended June 30, 2016. The School is still evaluating how this pronouncement will affect the School.

In August 2015, GASB Statement No. 77 Tax Abatement Disclosures, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The School will implement this standard during the fiscal year ended June 30, 2017. The School is still evaluating how this pronouncement will effect the financial statements.

**SUPPLEMENTARY INFORMATION RELATED TO REMAINING
GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

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.

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

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.

NM Reads to Lead (27114) - K-3 Reading Initiative legislative funded.

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, 2015

	Special Revenue		
	Activity Transportation 23000	IDEA, Part B Entitlement 24106	GO Bond Act 27105
ASSETS			
Cash and cash equivalents	\$ 1,358	\$	\$
Receivables:			
Due from grantor		1,313	
Total assets	1,358	1,313	0
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Interfund payable		1,313	108
Accrued payroll			
Total liabilities	0	1,313	108
FUND BALANCES			
Restricted-reported in:			
Special revenue funds	1,358		
Unassigned - capital project funds			
Unassigned - Special revenue funds			(108)
Total fund balance	1,358	0	(108)
Total liabilities and fund balance	\$ 1,358	\$ 1,313	\$ 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 BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue		
	GO Bond Stu Library Fund 27106	2012 GoBond Student Library SB-66 27107	New Mexico Reads to Lead K-3 Reading Initiative 27114
ASSETS			
Cash and cash equivalents	\$	\$	\$
Receivables:			
Due from grantor	<u> </u>	<u> </u>	<u> </u>
Total assets	<u> 0</u>	<u> 0</u>	<u> 0</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Interfund payable		1,287	9,370
Accrued payroll	<u> </u>	<u> </u>	<u> 7</u>
Total liabilities	<u> 0</u>	<u> 1,287</u>	<u> 9,377</u>
FUND BALANCES			
Restricted-reported in:			
Special revenue funds			
Unassigned - capital project funds			
Unassigned - Special revenue funds	<u> </u>	<u> (1,287)</u>	<u> (9,377)</u>
Total fund balance	<u> 0</u>	<u> (1,287)</u>	<u> (9,377)</u>
Total liabilities and fund balance	<u> 0</u>	<u> 0</u>	<u> 0</u>

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NONMAJOR FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2015

	Capital Project		
	Public School Capital Outlay 31200	Capital Improvement SB-9 31700	Total
ASSETS			
Cash and cash equivalents	\$	\$	\$ 1,358
Receivables:			
Due from grantor	_____	_____	1,313
Total assets	0	0	2,671
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Interfund payable	8,140	1,524	21,742
Accrued payroll	_____	_____	7
Total liabilities	8,140	1,524	21,749
FUND BALANCES			
Restricted-reported in:			
Special revenue funds			1,358
Unassigned - capital project funds	(8,140)	(1,524)	(9,664)
Unassigned - Special revenue funds	_____	_____	(10,772)
Total fund balance	(8,140)	(1,524)	(19,078)
Total liabilities and fund balance	\$ 0	\$ 0	\$ 2,671

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, 2015

	Special Revenue		
	Activity Transportation 23000	IDEA, Part B Entitlement 24106	GO Bond Act 27105
REVENUES			
State & local grants	\$	\$ 10,178	\$
Miscellaneous	<u>19,937</u>	<u> </u>	<u> </u>
Total revenues	<u>19,937</u>	<u>10,178</u>	<u>0</u>
EXPENDITURES			
Current:			
Instruction	18,937		
Support services-students		10,178	
Support services-instruction			108
Support services-school administration			
Operation & maintenance of plant			
Capital outlay	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>18,937</u>	<u>10,178</u>	<u>108</u>
Excess (deficiency) of revenues over expenditures	1,000	0	(108)
Fund balances at beginning of year	<u>358</u>	<u>0</u>	<u>0</u>
Fund balance end of year	<u><u>\$ 1,358</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (108)</u></u>

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue		
	GO Bond Stu Library Fund 27106	2012 GoBond Student Library SB-66 27107	New Mexico Reads to Lead K-3 Reading Initiative 27114
REVENUES			
State & local grants	\$	\$	\$ 12,623
Miscellaneous			
Total revenues	0	0	12,623
EXPENDITURES			
Current:			
Instruction			21,325
Support services-students			
Support services-instruction		1,287	
Support services-school administration			675
Operation & maintenance of plant			
Capital outlay			
Total expenditures	0	1,287	22,000
Excess (deficiency) of revenues over expenditures	0	(1,287)	(9,377)
Fund balances at beginning of year	0	0	0
Fund balance end of year	\$ 0	\$ (1,287)	\$ (9,377)

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, 2015

	Capital Project		
	Public School Capital Outlay 31200	Capital Improvement SB-9 31700	Total
REVENUES			
State & local grants	\$ 32,433	\$	\$ 55,234
Miscellaneous			19,937
Total revenues	32,433	0	75,171
EXPENDITURES			
Current:			
Instruction			40,262
Support services-students			10,178
Support services-instruction			1,395
Support services-school administration			675
Operation & maintenance of plant	23,558	1,524	25,082
Capital outlay	9,000		9,000
Total expenditures	32,558	1,524	86,592
Excess (deficiency) of revenues over expenditures	(125)	(1,524)	(11,421)
Fund balances at beginning of year	(8,015)	0	(7,657)
Fund balance end of year	\$ (8,140)	\$ (1,524)	\$ (19,078)

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, 2015

	<u>Budgeted Amounts</u>		Actual (Budgetary	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	Basis)	
REVENUES				
Miscellaneous	\$ 9,028	\$ 25,674	\$ 19,937	\$ (5,737)
Total revenues	<u>9,028</u>	<u>25,674</u>	<u>19,937</u>	<u>(5,737)</u>
EXPENDITURES				
Instruction:				
Other purchased services	4,805	19,412	17,194	2,218
Professional & tech services		2,309	1,743	566
Supplies		<u>88</u>		<u>88</u>
Total instruction	<u>4,805</u>	<u>21,809</u>	<u>18,937</u>	<u>2,872</u>
Total expenditures	<u>4,805</u>	<u>21,809</u>	<u>18,937</u>	<u>2,872</u>
Excess (deficiency) of revenues over expenditures	4,223	3,865	1,000	(2,865)
Cash balance beginning of year	<u>0</u>	<u>0</u>	<u>358</u>	<u>358</u>
Cash balance end of year	<u>\$ 4,223</u>	<u>\$ 3,865</u>	<u>1,358</u>	<u>\$ (2,507)</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			1,000	
Net change in account receivable			0	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ 1,000</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 - 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, 2015

	<u>Budgeted Amounts</u>		Actual (Budgetary	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>	Basis)	
REVENUES				
Federal grants	\$ (11,351)	\$ (11,351)	\$ 8,865	\$ 20,216
Total revenues	<u>(11,351)</u>	<u>(11,351)</u>	<u>8,865</u>	<u>20,216</u>
EXPENDITURES				
Support services-students:				
Professional & tech services	7,200	10,055	9,225	830
Other purchased services	285	715	715	
Supplies	300	300	238	62
Supply assets	<u>2,000</u>	<u>281</u>	<u> </u>	<u>281</u>
Total support services-students	<u>9,785</u>	<u>11,351</u>	<u>10,178</u>	<u>1,173</u>
Total expenditures	<u>9,785</u>	<u>11,351</u>	<u>10,178</u>	<u>1,173</u>
Excess (deficiency) of revenues over expenditures	(21,136)	(22,702)	(1,313)	21,389
Cash balance beginning of year	<u>0</u>	<u>(19,596)</u>	<u>0</u>	<u>19,596</u>
Cash balance end of year	<u><u>\$ (21,136)</u></u>	<u><u>\$ (42,298)</u></u>	<u><u>(1,313)</u></u>	<u><u>\$ 40,985</u></u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			(1,313)	
Net change in account receivable			1,313	
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 - GO BOND -27105
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>		
<i>REVENUES</i>				
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>EXPENDITURES</i>				
Support services-instruction:				
Supply assets			108	(108)
Total support services-instruction	<u>0</u>	<u>0</u>	<u>108</u>	<u>(108)</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>108</u>	<u>(108)</u>
Excess (deficiency) of revenues over expenditures	0	0	(108)	(108)
Cash balance beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash balance end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>(108)</u>	<u>\$ (108)</u>
<i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i>				
Excess (deficiency) of revenues over expenditures-cash basis			(108)	
Net change in account receivable			0	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ (108)</u>	

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

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

SPECIAL REVENUE FUND - GO BOND STU LIBRARY FUND 27106
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015

	<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	\$ 679	\$ 679	\$ 679	\$
Total revenues	679	679	679	0
<i>EXPENDITURES</i>				
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over expenditures	679	679	679	0
Cash balance beginning of year	0	0	(679)	(679)
Cash balance end of year	\$ 679	\$ 679	0	\$ (679)
<i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i>				
Excess (deficiency) of revenues over expenditures-cash basis			679	
Net change in account receivable			(679)	
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 - 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, 2015

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>		
REVENUES				
State & local grants	\$ 1,686	\$ 1,686	\$ 1,686	\$
Total revenues	<u>1,686</u>	<u>1,686</u>	<u>1,686</u>	<u>0</u>
EXPENDITURES				
Support services-instruction:				
Supply assets	1,369	1,369	1,287	82
Total support services-instruction	<u>1,369</u>	<u>1,369</u>	<u>1,287</u>	<u>82</u>
Total expenditures	<u>1,369</u>	<u>1,369</u>	<u>1,287</u>	<u>82</u>
Excess (deficiency) of revenues over expenditures	317	317	399	82
Cash balance beginning of year	<u>0</u>	<u>0</u>	<u>(1,686)</u>	<u>(1,686)</u>
Cash balance end of year	<u>\$ 317</u>	<u>\$ 317</u>	<u>(1,287)</u>	<u>\$ (1,604)</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			399	
Net change in account receivable			(1,686)	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ (1,287)</u>	

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
 NM READS TO LEAD K-3 READING INITIATIVE-27114
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
 BUDGET AND ACTUAL (BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>		
REVENUES				
State & local grants	\$ 22,000	\$ 22,000	\$ 12,624	\$ (9,376)
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>12,624</u>	<u>(9,376)</u>
EXPENDITURES				
Instruction:				
Personnel services	15,000	13,825	13,825	
Professional & tech services	5,000	2,300	2,300	
Supplies	<u>2,000</u>	<u>5,200</u>	<u>5,200</u>	
Total instruction	<u>22,000</u>	<u>21,325</u>	<u>21,325</u>	<u>0</u>
Support services-school administration:				
Professional & tech services		<u>675</u>	<u>675</u>	
Total support services-school administration	<u>0</u>	<u>675</u>	<u>675</u>	<u>0</u>
Total expenditures	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	0	0	(9,376)	(9,376)
Cash balance beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash balance end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>(9,376)</u>	<u>\$ (9,376)</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			(9,376)	
Net change in account receivable			(1)	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ (9,377)</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 - BOND BUILDING-31100
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment income	<u> </u>	<u> </u>	<u> 1</u>	<u> 1</u>
Total revenues	<u> 0</u>	<u> 0</u>	<u> 1</u>	<u> 1</u>
EXPENDITURES				
Instruction:				
Repair & maintenance	<u> 19,500</u>	<u> 18,745</u>	<u> 18,744</u>	<u> 1</u>
Total instruction	<u> 19,500</u>	<u> 18,745</u>	<u> 18,744</u>	<u> 1</u>
Operation & maintenance of plant:				
Supply assets	320	320		320
Repair & maintenance	<u> 61,603</u>	<u> 55,061</u>	<u> 54,801</u>	<u> 260</u>
Total operation & maintenance of plant	<u> 61,923</u>	<u> 55,381</u>	<u> 54,801</u>	<u> 580</u>
Capital outlay:				
Professional & tech services		1,500	1,500	
Supply assets	2,286	3,663	3,662	1
Purchased property services	<u> 77,610</u>	<u> 77,609</u>	<u> 5,301</u>	<u> 72,308</u>
Total capital outlay	<u> 79,896</u>	<u> 82,772</u>	<u> 10,463</u>	<u> 72,309</u>
Total expenditures	<u> 161,319</u>	<u> 156,898</u>	<u> 84,008</u>	<u> 72,890</u>
Excess (deficiency) of revenues over expenditures	<u> (161,319)</u>	<u> (156,898)</u>	<u> (84,007)</u>	<u> 72,891</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	(161,319)	(156,898)	(84,007)	72,891
Cash balance beginning of year	<u> 0</u>	<u> 80,000</u>	<u> 180,461</u>	<u> 100,461</u>
Cash balance end of year	<u>\$ (161,319)</u>	<u>\$ (76,898)</u>	<u> 96,454</u>	<u>\$ 173,352</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 - BOND BUILDING-31100
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2015

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Net changes in fund balances-cash basis	\$ (84,007)
Net change in account receivable	0
Net change in accounts payable	<u>0</u>
Net changes in fund balances-GAAP basis	\$ <u><u>(84,007)</u></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, 2015

	<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	\$ 8,015	\$ 8,015	\$ 32,434	\$ 24,419
Total revenues	<u>8,015</u>	<u>8,015</u>	<u>32,434</u>	<u>24,419</u>
EXPENDITURES				
Operation & maintenance of plant:				
Purchased property services	<u> </u>	<u> </u>	<u>32,558</u>	<u>(32,558)</u>
Total operation & maintenance of plant	<u>0</u>	<u>0</u>	<u>32,558</u>	<u>(32,558)</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>32,558</u>	<u>(32,558)</u>
Excess (deficiency) of revenues over expenditures	8,015	8,015	(124)	(8,139)
Cash balance beginning of year	<u>0</u>	<u>(23,794)</u>	<u>(8,015)</u>	<u>15,779</u>
Cash balance end of year	<u>\$ 8,015</u>	<u>\$ (15,779)</u>	<u>(8,139)</u>	<u>\$ 7,640</u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			(124)	
Net change in account receivable			(1)	
Net change in accounts payable			<u>0</u>	
Excess (deficiency) of revenues over expenditures-GAAP basis			<u>\$ (125)</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, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
State & local grants	\$	2,694	\$	(2,694)
Total revenues	0	2,694	0	(2,694)
EXPENDITURES				
Instruction:				
Repair & maintenance		2,694		2,694
Total instruction	0	2,694	0	2,694
Operation & maintenance of plant:				
Repair & maintenance	1,524	1,524	1,524	
Supply assets	2,744	2,744		2,744
Total Operation & maintenance of plant	4,268	4,268	1,524	2,744
Total expenditures	4,268	6,962	1,524	5,438
Excess (deficiency) of revenues over expenditures	(4,268)	(4,268)	(1,524)	2,744
Cash balance beginning of year	0	(1,328)	0	1,328
Cash balance end of year	(4,268)	(5,596)	(1,524)	4,072
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			(1,524)	
Net change in account receivable			0	
Net change in accounts payable			0	
Excess (deficiency) of revenues over expenditures-GAAP basis			(1,524)	

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, 2015

		Beginning Balance <u>6/30/2014</u>	Revenue	Expenditures	Prior Year Warrants Voided/Other Adjustments	Ending Cash Balance <u>6/30/2015</u>
Operational	11000	\$ 39,904	\$ 421,924	\$ 404,556	\$ 105	\$ 57,377
Instructional materials	14000	1,500	2,661	1,183		2,978
Non-Instructional Fund	23000	358	19,937	18,937		1,358
Federal Flowthrough	24000		8,865	10,178		(1,313)
State Flowthrough	27000	(2,365)	14,989	23,395	6	(10,765)
Bond Building Fund	31100	180,461	1	84,008		96,454
Public School Capital Outlay	31200	(8,015)	32,434	32,558		(8,139)
Senate Bill Nine	31700			1,524		(1,524)
Total		<u>\$ 211,843</u>	<u>\$ 500,811</u>	<u>\$ 576,339</u>	<u>\$ 111</u>	<u>\$ 136,426</u>

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

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

SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2015

Prepared by Agency Staff Name: _____ Title: _____ Date _____

RFB #/ RFP #/ State-wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of All Vendor(s) that responded	In-state/ Out-of- state Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preferenc e (Y or N)	Brief Description of the Scope of Work
There were no purchases that exceeded \$60,000 as of June 30, 2015.								

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL

SCHEDULE OF THE ROOTS & WINGS COMMUNITY SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

<u>Educational Retirement Board (ERB) Plan</u>	<u>2015</u>
School's proportion of the net pension liability (asset)	0.00882%
School's proportionate share of the net pension liability (asset)	\$ 503,237
School's covered-employee payroll	242,999
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207.09%
Plan fiduciary net position as a percentage of the total pension liability	66.54%

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF ROOTS & WINGS COMMUNITY SCHOOL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

Educational Retirement Board (ERB) Pension Plan

	<u>2015</u>
Contractually required contribution	\$ 33,539
Contributions in relation to the contractually required contribution	33,539
Contribution deficiency (excess)	-
School's covered-employee payroll	242,999
Contributions as a percentage of covered-employee payroll	13.80%

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

Changes of benefit terms. The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

Changes of assumptions. ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on April 26, 2013, ERB implemented the following changes in assumptions for fiscal years 2014 and 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
 - (a) Lower wage inflation from 4.75% to 4.25%
 - (b) Lower payroll growth from 3.75% to 3.50%
 - (c) Minor changes to demographic assumptions
 - (d) Population growth per year from 0.75% to 0.50%
2. Assumptions that were not changed:
 - (a) Investment return will remain at 7.75%
 - (b) Inflation will remain at 3.00%

See also the Actuarial Assumptions subsection of the financial statement note disclosure General Information on the Pension Plan.

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. Timothy Keller
State Auditor of the State of New Mexico
Board Members of the Roots & Wings Community School
Mr. Keller 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, 2015, 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 10, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2014-001 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-001, 2015-003 and 2015-004 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 2015-002.

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 10, 2015

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- | | | |
|---|---|--|
| • Material weakness(es) identified? | <input checked="" type="checkbox"/> Yes | <input 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, 2015**

SECTION II. AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2014-001 Internal Controls over Receipts and Deposits (Material Weakness) - Repeated & Modified

Condition

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

- In 7 out of 25 items tested for a total of \$1,620, cash receipts did not agree to supporting documents.
- In 9 out of 25 items tested for a total of \$2,434, cash receipts did not agree to bank statements.
- In 10 out of 25 items tested for a total of \$2,545, cash receipts amount is not properly recorded and classified.
- In 11 out of 25 items tested for a total of \$3,045, the School does not timely deposit money received.
- In 5 out of 25 items tested for a total of \$3,264, the School did not issue a receipt upon the collection of cash or checks for revenue belonging to the School.

The School did not make progress in resolving this finding. However, The School's management is in the process for providing training to employees to ensure appropriate personnel are knowledgeable of applicable laws and regulations in regards to cash receipts to ensure this issue is resolved in subsequent years.

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.

Section 6.20.2.14C of the New Mexico Administrative Code states, "Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day."

Internal controls are established to safe guard the assets of the City. The use of pre-numbered receipts aids in ensuring the receipt of funds enters the accounting system and the entire population of receipts generated for a particular accounting period can be determined and verified if necessary. Once the funds are receipted into the accounting system the transaction becomes a part of the accounting system thus aiding in the safe guarding of assets.

Cause

The School did not maintain an organized and reliable general ledger electronically or manually. The School failed to deposit any monies recorded and deposit any monies received within twenty-four hours period.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

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

2014-001 Internal Controls over Receipts and Deposits (Material Weakness) - Repeated & Modified- Cont'd

Effect

The School is in violation of NMAC 6.20.2.11 and 6.20.2.14C. The School does not have a control structure in place to adequately document and monitor the competence of all cash receipts. By the School not depositing money within twenty-four hours of receipt, the money could be lost, stolen or misappropriated. Not issuing a receipt for each collection of public money at the time of the transaction could allow unintentional or intentional errors to occur, and not be detected and fully reconciled in a proper manner on a timely basis.

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.

We recommend the School staff review the accounting procedures concerning all money received and deposited. Furthermore, we recommend the School implement the necessary changes to their accounting procedures to ensure all money received and receipted shall be deposited in their checking accounts within twenty-four hours.

Management Response:

The Business Manager is in the process of providing training to employees to ensure appropriate personnel are knowledgeable of applicable laws and regulations in regards to cash receipts. The Business Manager will implement procedures regarding the receipt and deposit of cash receipts and ask the Principal to enforce these procedures at the school level. Business Manager is also working with the Principal to set up dates for internal audits of all records kept at the school.

Estimated Completion Date:

December 5, 2015.

Responsible party:

Business Manager, Principal, and Governing Council.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

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

2015-001 Journal Entry Review and Approval - (Significant Deficiency)

Condition

During the audit, it was noted that 15 out of 15 journal entries tested, were not reviewed and authorized by someone other than the preparer.

Criteria

To help prevent error or fraud, all journal entries should be reviewed by someone other than the preparer.

Cause

Policies and procedures are not properly followed to ensure the propriety or completeness of journal entries. Specifically, controls to ensure proper segregation of duties related to the preparation, approval, and posting of journal entries were not properly followed.

Effect

Financial accounts may be misstated and/or not properly supported. Failure to implement effective processes and procedures could increase the risks of fraud, violations of appropriate laws and mismanagement of funds.

Recommendation

Develop and implement procedures that will strengthen controls over journal entry review and approval process to ensure that journal entries are reviewed and approved by someone other than the preparer, and ensure that support for all journal entries is properly filed and maintained.

Management Response:

The Business Manager will implement procedures that will strengthen controls over entry, review, and approval process and will present all journal entries to Governing Council for review and approval. The Business Manager will maintain and file all journal entries.

Estimated Completion Date:

December 5, 2015

Responsible party:

Business Manager, Principal, and Governing Council.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

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

2015-002 Expenditure in Excess of Budget Amounts (Others)

Condition:

The School has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in the following funds:

Fund & Function	Original Budget	Final Budget	Actual	Over Budget
<u>Public School Capital Outlay 31200</u> Operation & maintenance of plant	\$-	\$-	\$32,558	\$(32,558)
<u>GO Bond Act 27105</u> Support services- Instruction	\$-	\$-	\$108	\$(108)

Criteria:

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. For School's, the expenditure function is the legal level of control.

Cause:

The School did not make the appropriate budgetary adjustments requests and transfers to the funds mentioned in the condition, which would alleviate over-expenditure within the function prior to the year end.

Effect:

As a result, the School is in non compliance with New Mexico law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

Recommendation:

The School should establish a policy of budgetary review at year-end, and make the necessary budget adjustments.

Management Response:

The school will establish a policy of budgetary review and review at each financial meeting in detail and present to the board for review. The necessary budgetary adjustments will be implemented to ensure funds are not over expended.

Estimated Completion Date:

12/5/15

Responsible party:

Business Manager, Principal, and Governing Council

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

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

2015-003 Internal Control over Disbursement (Significant Deficiency) -

Condition

The following were noted during our review of various disbursements at the School:

Travel Disbursement:

- In 4 instances totaling \$1,803, there was a lack of supporting documentation. Receipts could not be found to support the travel expenditures.

General Cash Disbursements:

- For 9 out of 60 disbursements totaling \$2,812 that did not have supporting documentation to review.

Personnel Files:

- 6 employees did not have a performance evaluation during the year.
- 1 employee did not have explanation of drug free policy in the file.
- 1 employee application documentation could not be located within the personnel file.
- 1 personnel files cannot be located.
- In 14 out of 14 personnel files, Timesheet document were not available.

Criteria

Maintenance of adequate supporting documentation for all disbursements, including purchase requisitions, purchase orders, travel authorizations, receiving reports, travel reports, and approval of disbursements are an integral part of a sound internal control system to safeguard the assets and accomplish timely preparation and submission of financial reports.

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. Immigration Reform & Control Act of 1986 requires all employees hired after November 6, 1986 to complete a Form I-9 within 3 days of hire. Guidance regarding Form I-9 also states that if photocopies of identification are kept for any single employee they must be kept for all employees. Photocopies of identification also do not relieve the obligation to fully complete Section 2 of the Form I-9 nor is it an acceptable substitute for proper completion of the Form I-9 in general.

Segregation of duties in payroll, the existence of an appropriate pay rate schedule, a review of employee timesheets, 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. Management should establish and implement sound internal control procedures to maintain personnel records on a periodic basis.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015**

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

2015-003 Internal Control over Disbursement (Significant Deficiency) - Repeated & Modified-Cont'd

Performance appraisals shall be completed on at least an annual basis per New Mexico State Personnel Board Rules and Regulations, 1.7.9.9 B NMAC, by the employee's anniversary date.

Cause

Management did not follow proper internal control procedures. The School staff failed to ensure that all of the required documentation that supports the expenditure was in place. The School's document retention and payroll policies were not adequately enforced. The performance appraisals were not completed due to oversight.

Effect

Without proper documentation, there are not adequate controls over expenditures which could result in over spending. Without proper feedback, there is a possibility that employees could be performing their duties incorrectly, and without a documented evaluation it would be difficult for the School to correct this. The School could be subject to penalties or possibly legal action.

Recommendation

The School should implement procedures to maintain proper supporting documentation, retain all documents related to travel, general disbursement, personnel and payroll and also train personnel to adhere to the policies and procedures. We also recommend that the School should conduct and document performance evaluation for each employee.

Management Response:

The Business Manager is in the process of providing training to employees to ensure appropriate personnel are knowledgeable of applicable laws and regulations in regards to maintain proper supporting documentation, retain all documents related to travel, general disbursement, personnel and payroll. The Business Manager will implement procedures regarding the maintenance of records at the school level. The Business Manager will ask the Principal to enforce these procedures at the school level. Business Manager is also working with the Principal to set up dates for internal audits of all records kept at the school.

Estimated Completion Date:

12/5/15

Responsible party:

Business Manager, Principal, and Governing Council

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2015

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

2015-004 Purchase Orders and Payment Authorization - (Significant Deficiency)

Condition

During our testwork of disbursements, we noted the following deficiencies:

In 9 out of 20 items totaling \$3,952 there were no purchase orders in the file.

In 9 out of 20 items totaling \$3,952, the invoices were not properly authorized.

Criteria

Good accounting and internal control practices require that all disbursements must originate with authorizing document and be supported by properly approved documents such as purchase orders, bill, petty cash reimbursement forms, payroll and time records, leases, contracts, or other supporting. In addition, according to NMSA 1978 Section 6-6-3, the School is expected to conform to the rules and regulations that they have adopted relating to internal controls.

Cause

Policies and procedures that the School has adopted for cash disbursement transactions are not being enforced. The purchase order process is not being enforced and purchase orders are not being prepared. Such documents should be completed prior to the purchase.

Effect

The lack of enforcing the School's policies and procedures may result in the non-authorized or incorrect calculations of invoices. Also, when purchases are made without proper authorization, items could be procured that are inappropriate and/or unallowed and the risk of misappropriation is increased.

Recommendation

The School must enforce policies and procedures that are set in place for the purchase of goods and/or services and ensure the vendor invoices are being checked for accuracy prior to payment and also recommend to train employees on the purchasing procedure.

Management Response:

The Business Manager is in the process of providing training to employees to ensure appropriate personnel are knowledgeable of applicable laws and regulations in regards to maintain proper supporting documentation, retain all documents related to travel, general disbursement, personnel and payroll. The Business Manager will implement procedures regarding the maintenance of records. The Business Manager will ask the Principal to enforce these procedures at the school level. Business Manager is also working with the Principal to set up dates for internal audits of all records kept at the school

Estimated Completion Date:

12/5/15

Responsible party:

Business Manager, Principal, and Governing Council

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2015

<u>Findings</u>	<u>Status</u>
2012-001(FS 12-01) Personnel Files - Compliance and internal Control	Resolved
2014-001 Internal Control over Cash Receipt (Significant deficiency)	Modified & Repeated

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
OTHER DISCLOSURES
JUNE 30, 2015

PREPARATION OF FINANCIAL STATEMENTS

The combining and individual fund financial statements and notes to the financial statements for the year ended June 30, 2015 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 11, 2015 The following individuals were in attendance:

Roots & Wings Community School New Mexico

Charlotte Archuleta- Business Manager

Nancy Gonzalez- School Director

Harshwal & Company LLP

Sanwar Harshwal, CPA, Managing Partner

Mariem Tall, Staff Auditor

Jolene Calderon, Staff Auditor