

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
ANNUAL FINANCIAL REPORT
JUNE 30, 2016**

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STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
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STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
OFFICIAL ROSTER
JUNE 30, 2016

BOARD OF EDUCATION

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

SCHOOL OFFICIALS

Nancy Gonzalez	Principal/Director
Charlotte Archuleta	Business Manager
Maria Medina	School Secretary
Margaret Bartlett	Teacher/Special Ed Teacher

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 the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue fund of Roots & Wings Community School, (the School), as of and for the year ended June 30, 2016, 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, 2016, 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, 2016, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and special revenue 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, 2016, 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 - 17, the Schedule of the Proportionate Share of the Net Pension Liability on page 78, the Schedule of Contributions on page 79 and the notes to the required supplementary information on page 80 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.

The schedule of vendor information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 03, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
November 03, 2016

MANAGEMENT DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

This Management Discussion and Analysis of the fiscal performance of the Roots & Wings Community School (School) for the period ending June 30, 2016, 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, 2016. Fund financial statements are reported on a modified accrual basis of accounting. Rather than looking at specific areas of performance, this discussion and analysis focus 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 have 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 have 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 utilize 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, 2016

SIGNIFICANT FINANCIAL HIGHLIGHTS FOR THE YEAR ENDING JUNE 30, 2016

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 \$83,916 was recorded. This includes current year depreciation of \$6,745 and prior year accumulated depreciation of \$77,171.

The overall adjusted Fund Balance decreased from \$132,535 for the year ending June 30, 2015, to \$84,078 for the year ending June 30, 2016. This represents a decrease in the fund balance of \$48,457.

Deferred outflows of resources of \$62,198 related to pension and employer contributions subsequent to the measurement date and deferred inflows of resources of \$54,559 related to a pension plan are reported in the Statement of Net Position at June 30, 2016. 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 increased from \$499,757 in the year ending June 30, 2015, to \$532,847 in the year ending June 30, 2016. This is an increase of \$33,090 reflecting an overall revenue increase of 7%. The most significant reason for this increase is due to increase in state & local grants.

Total expenditures increased from \$576,338 for the year ending June 30, 2015, to \$581,304 for the year ending June 30, 2016. This is an increase in expenditures of \$4,966.

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 7 of the financial statements.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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 \$223,598. The School has \$108,254 of cash and cash equivalents on hand as of June 30, 2016, compared to \$644,526 in accounts payable and other current liabilities. Net Position totaling \$(553,045) are "unrestricted".

	<u>June 30, 2016</u>
ASSETS	
Cash assets	\$ 108,254
Other current assets	17,167
Capital assets	119,895
Less: Accumulated depreciation	(83,916)
Deferred outflows related to pension	<u>62,198</u>
Total assets and deferred outflows related to pension	<u>223,598</u>
LIABILITIES	
Accounts payable	6,508
Other current liabilities	34,835
Deferred inflows related to pension	54,559
Net Pension Liability	<u>548,624</u>
Total liabilities and Deferred inflows related to pension	<u>644,526</u>
NET POSITION	
Net investment in capital assets	35,979
Capital projects	96,138
Unrestricted	<u>(553,045)</u>
Total net position	<u>\$ (420,928)</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 \$6,745. 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, 2016**

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, 2016. As of June 30, 2016, the School had a net position of \$(420,928). The beginning year total net position is \$(395,354) reflecting a decrease in the total net position of \$25,574 for the year ending June 30, 2016.

	<u>June 30, 2016</u>
Expenses for governmental activities	\$ (558,421)
Less: operating grants and contributions	<u>65,928</u>
Net (Expenses) revenues and changes in net position	<u>(492,493)</u>
General revenues:	
Federal and state aid not restricted to specific purpose General	444,636
Interest and investment earnings	66
Miscellaneous	<u>22,217</u>
Subtotal, general revenues	<u>466,919</u>
Changes in net position	(25,574)
Net position - beginning	<u>(395,354)</u>
Net position - ending	<u><u>\$ (420,928)</u></u>

FUND FINANCIAL STATEMENTS

Fund financial statements are based on a modified accrual basis of accounting. The Statement of Revenues and Expenditures and Changes in Fund Balances is not new to the School's annual financial reports. This report guides the reader to a meaningful overall view for the School revenue, expenditures and changes in the fund balance. Total revenues from the state, local and Federal sources were \$532,847. Total expenditures for the School were \$581,304. The total ending fund balance was \$84,078; a decrease of \$48,457 from the prior year.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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 %
2015/2016	\$ 532,847	7 %	\$ 581,304	1 %

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.

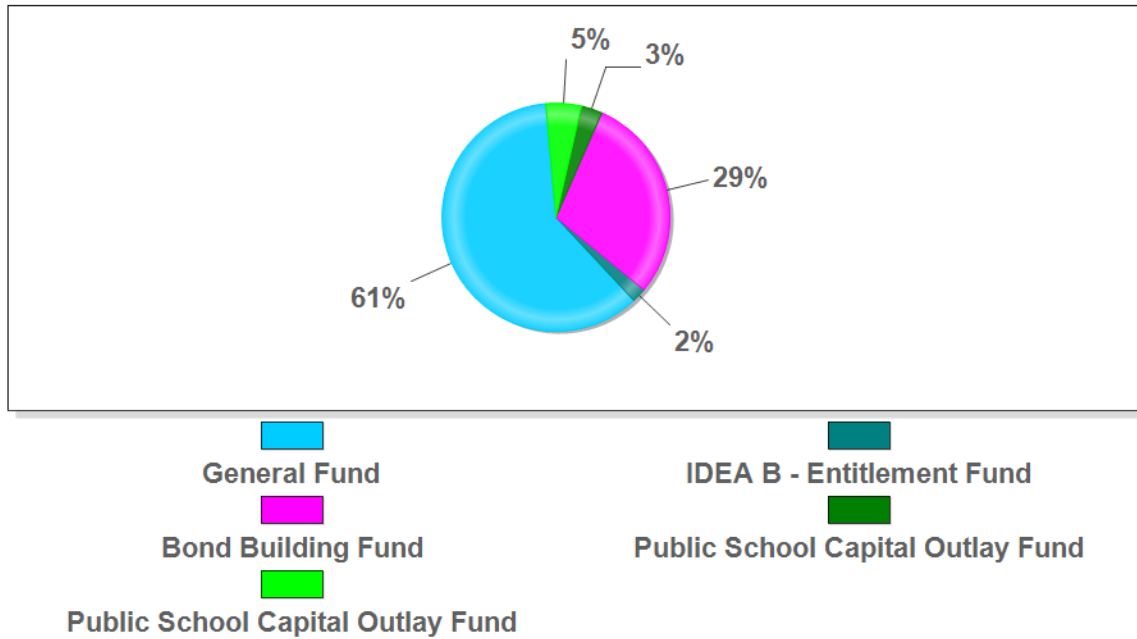
GASB 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

Major budgetary funds in these reports are; The General Fund, IDEA B - Entitlement Fund, Bond Building Fund and Public School Capital Outlay 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, 2016**

THE BUDGET - Cont'd

Budgetary Comparison



The reader will note that the General Fund represents 61% 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, 2016. 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, 2016**

MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE

<u>Fund Type</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 568,677	\$ 499,668	\$ 69,009
IDEA B - Entitlement	\$ 19,596	\$ 15,771	\$ 3,825
Bond Building Fund	\$ 276,913	\$ 325	\$ 276,588
Public School Capital Outlay Fund	\$ 30,186	\$ 30,186	\$

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

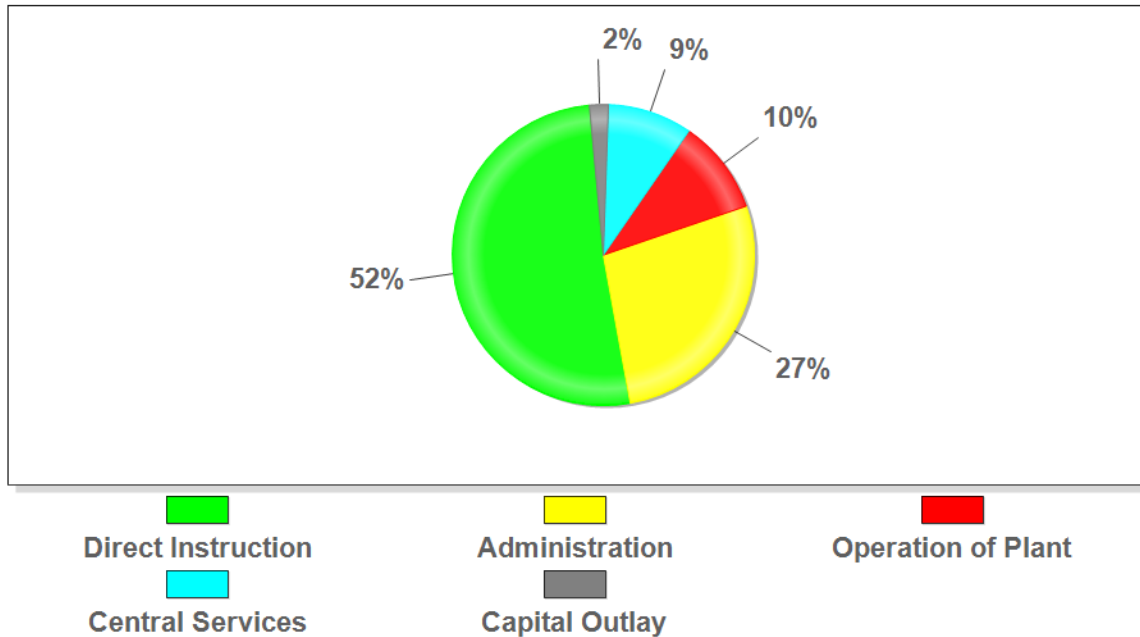
The General Fund revenue represents \$461,964 of the total \$532,847 in overall School revenues. The impact of this fund must be kept in context. The General Fund began the year with an initial budget of \$411,918 and had a final budget of \$512,518.

Because the General Fund is the main fund whose expenditures are significantly related to the educational process, \$499,665 was expended in the year ending June 30, 2016. The most significant inter-fund expenditure was for the function noted as "Direct Instruction". This expenditure was \$257,178 and represents 51% 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, 2016**

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, 2016, for the General Fund. Direct Instruction represents 51% 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 36% 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.

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2015</u>	<u>Balance June 30, 2016</u>
Buildings & improvements	\$ 54,292	\$ 54,292
Equipment and vehicles information technology equipment, software & library books	<u>56,678</u>	<u>65,603</u>
Total Capital Assets	<u>110,970</u>	<u>119,895</u>
Less: Accumulated Depreciation	<u>(77,171)</u>	<u>(83,916)</u>
Capital Assets-Net	<u><u>\$ 33,799</u></u>	<u><u>\$ 35,979</u></u>

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 108,254
Accounts receivable	7
Due from grantor	17,160
Total current assets	125,421
Noncurrent assets:	
Capital assets	119,895
Less: accumulated depreciation	(83,916)
Total noncurrent assets	35,979
Total assets	161,400
DEFERRED OUTFLOWS OF RESOURCES	
Changes of assumptions	18,871
Employer contributions subsequent to the measurement date	43,327
Total deferred outflows of resources	62,198
LIABILITIES	
Current liabilities:	
Account payable	6,508
Other liabilities	930
Accrued payroll	33,905
Total current liabilities	41,343
Noncurrent liabilities:	
Net pension liability	548,624
Total noncurrent liabilities	548,624
Total liabilities	589,967
DEFERRED INFLOWS OF RESOURCES	
Actuarial experience	10,171
Investment experience	2,470
Change in proportion	25,309
Changes in proportion after reallocation of inactive employers	16,609
Total deferred inflows of resources	54,559
NET POSITION	
Net investment in capital assets	35,979
Restricted for:	
Capital projects	96,138
Unrestricted	(553,045)
Total net position	\$ (420,928)

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, 2016

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	\$ 270,179	\$	\$ 3,718	\$	\$ (266,461)
Support services-students	15,771		38,978		23,207
Support services-instruction	3,772				(3,772)
General administration	7,651				(7,651)
School administration	129,010				(129,010)
Central services	46,148				(46,148)
Operation of plant	85,890		23,232		(62,658)
Total governmental activities	\$ 558,421	\$ 0	\$ 65,928	\$ 0	(492,493)
General revenues					
Federal and state aid not restricted to specific purpose:					
General					444,636
Interest and investment earnings					66
Miscellaneous					22,217
Subtotal, general revenues					466,919
Change in net position					(25,574)
Net position - beginning					(395,354)
Net position - ending					\$ (420,928)

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, 2016

	General Funds		Special Revenue Fund
	Operational 11000	Instructional Materials 14000	IDEA B - Entitlement 24106
ASSETS			
Cash and cash equivalents	\$ 6,956	\$ 5,160	\$
Receivables:			
Accounts receivables			
Due from grantor	1,389		15,771
Interfund receivable	43,304	_____	_____
Total assets	51,649	5,160	15,771
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Account payable	5,092		21
Accrued payroll	33,329		
Other liabilities	930		
Interfund payable	_____	_____	15,750
Total liabilities	39,351	0	15,771
FUND BALANCES			
Restricted-reported in:			
Capital improvements			
Unassigned - special revenue funds			
Unassigned - capital improvements			
Unassigned - general funds	12,298	5,160	_____
Total fund balance	12,298	5,160	0
Total liabilities and fund balance	\$ 51,649	\$ 5,160	\$ 15,771

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, 2016

	Capital Project Fund		
	Bond Building 31100	Public School Capital Outlay 31200	Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 96,138	\$	\$
Receivables:			
Accounts receivables			7
Due from grantor			
Interfund receivable			
Total assets	96,138	0	7
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Account payable			1,395
Accrued payroll			576
Other liabilities			
Interfund payable		15,094	12,460
Total liabilities	0	15,094	14,431
FUND BALANCES			
Restricted-reported in:			
Capital improvements	96,138		
Unassigned - special revenue funds			(12,644)
Unassigned - capital improvements		(15,094)	(1,780)
Unassigned - general funds			
Total fund balance	96,138	(15,094)	(14,424)
Total liabilities and fund balance	\$ 96,138	\$ 0	\$ 7

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, 2016

	<u>Total Governmental Funds</u>
ASSETS	
Cash and cash equivalents	\$ 108,254
Receivables:	
Accounts receivables	7
Due from grantor	17,160
Interfund receivable	<u>43,304</u>
Total assets	<u>168,725</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Account payable	6,508
Accrued payroll	33,905
Other liabilities	930
Interfund payable	<u>43,304</u>
Total liabilities	<u>84,647</u>
FUND BALANCES	
Restricted-reported in:	
Capital improvements	96,138
Unassigned - special revenue funds	(12,644)
Unassigned - capital improvements	(16,874)
Unassigned - general funds	<u>17,458</u>
Total fund balance	<u>84,078</u>
Total liabilities and fund balance	<u>\$ 168,725</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, 2016

		<u>Governmental Funds</u>
Total fund balance - governmental funds	\$	84,078
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
The cost of capital assets	119,895	
Accumulated depreciation	<u>(83,916)</u>	35,979
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds:		
Deferred outflows of resources related to pension	62,198	
Deferred inflows of resources related to pension	<u>(54,559)</u>	7,639
Certain liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability	<u>(548,624)</u>	<u>(548,624)</u>
Total net position - governmental activities	\$	<u><u>(420,928)</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, 2016**

	General Funds		Special
	Operational	Instructional	Revenue Fund
	11000	Materials	IDEA B -
	11000	14000	Entitlement
			24106
REVENUES			
State & local grants	\$ 444,637	\$ 3,717	\$ 15,771
Investment income	56		
Miscellaneous	13,554		
Total revenues	458,247	3,717	15,771
EXPENDITURES			
Current:			
Instruction	255,643	1,535	
Support services-students			15,771
Support services-instruction	692		
Support services-general administration	7,651		
Support services-school administration	128,335		
Central services	46,148		
Operation & maintenance of plant	50,736		
Capital outlay	8,925		
Total expenditures	498,130	1,535	15,771
Excess (deficiency) of revenues over expenditures	(39,883)	2,182	0
OTHER FINANCING SOURCES (USES)			
Proceed from bonds	0	0	0
Total other financing sources (uses)	0	0	0
Net changes in fund balance	(39,883)	2,182	0
Fund balances at beginning of year	52,181	2,978	0
Fund balances end of year	\$ 12,298	\$ 5,160	\$ 0

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, 2016**

	Capital Project Fund		
	Bond Building 31100	Public School Capital Outlay 31200	Other Governmental Funds
REVENUES			
State & local grants	\$	\$ 23,232	\$ 23,207
Investment income	10		
Miscellaneous			8,663
Total revenues	10	23,232	31,870
EXPENDITURES			
Current:			
Instruction			29,821
Support services-students			
Support services-instruction			3,080
Support services-general administration			
Support services-school administration			675
Central services			
Operation & maintenance of plant	326	30,186	1,780
Capital outlay			
Total expenditures	326	30,186	35,356
Excess (deficiency) of revenues over expenditures	(316)	(6,954)	(3,486)
OTHER FINANCING SOURCES (USES)			
Proceed from bonds	0	0	0
Total other financing sources (uses)	0	0	0
Net changes in fund balance	(316)	(6,954)	(3,486)
Fund balances at beginning of year	96,454	(8,140)	(10,938)
Fund balances end of year	\$ 96,138	\$ (15,094)	\$ (14,424)

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, 2016**

	<u>Total Governmental Funds</u>
REVENUES	
State & local grants	\$ 510,564
Investment income	66
Miscellaneous	<u>22,217</u>
Total revenues	<u>532,847</u>
EXPENDITURES	
Current:	
Instruction	286,999
Support services-students	15,771
Support services-instruction	3,772
Support services-general administration	7,651
Support services-school administration	129,010
Central services	46,148
Operation & maintenance of plant	83,028
Capital outlay	<u>8,925</u>
Total expenditures	<u>581,304</u>
Excess (deficiency) of revenues over expenditures	<u>(48,457)</u>
OTHER FINANCING SOURCES (USES)	
Proceed from bonds	<u>0</u>
Total other financing sources (uses)	<u>0</u>
Net changes in fund balance	(48,457)
Fund balances at beginning of year	<u>132,535</u>
Fund balances end of year	<u><u>\$ 84,078</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, 2016

		<u>Governmental Funds</u>
Net change in fund balances - total governmental funds	\$	(48,457)
<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	(6,745)	
Capital outlays	8,925	2,180
<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 contributions		43,327
Pension expense as per actuarial report	(22,553)	
Add: Difference between prior year deferred outflows associated with 2015 actual employer contributions and the schedule of employer allocations 2015 actual employer contributions	(63)	
Less: Rounding off difference	(8)	
Net adjusted pension expenditure		(22,624)
Changes in net position of governmental activities	\$	(25,574)

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 AND MAJOR
SPECIAL REVENUE 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, 2016

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
REVENUES				
Investment income	\$ 40	\$ 40	\$ 56	\$ 16
State & local grants	409,573	501,835	444,637	(57,198)
Miscellaneous	<u> </u>	<u>7,412</u>	<u>13,554</u>	<u>6,142</u>
Total revenues	<u>409,613</u>	<u>509,287</u>	<u>458,247</u>	<u>(51,040)</u>
EXPENDITURES				
Instruction:				
Personnel services	174,892	173,311	169,761	3,550
Employee benefits	83,265	77,883	66,453	11,430
Professional & tech services	6,000	9,735	3,525	6,210
Purchased property services	2,500	2,500	1,994	506
Other purchased services	750	750	80	670
Supplies	300	9,917	2,511	7,406
Repair and maintenance	<u> </u>	<u>7,428</u>	<u>11,321</u>	<u>(3,893)</u>
Total instruction	<u>267,707</u>	<u>281,524</u>	<u>255,645</u>	<u>25,879</u>
Support services-instruction:				
Professional & tech services	3,000	<u> </u>	<u> </u>	<u> </u>
Supplies	<u> </u>	<u>1,000</u>	<u>692</u>	<u>308</u>
Total support services-instruction	<u>3,000</u>	<u>1,000</u>	<u>692</u>	<u>308</u>
Support services-general administration:				
Professional & tech services	4,400	8,966	5,851	3,115
Other purchased services	<u> </u>	<u>2,500</u>	<u>1,800</u>	<u>700</u>
Total support services-general administration	<u>4,400</u>	<u>11,466</u>	<u>7,651</u>	<u>3,815</u>
Support services-school administration:				
Personnel services	33,480	95,640	95,325	315
Employee benefits	13,076	33,884	31,684	2,200
Professional & tech services	<u> </u>	<u>1,439</u>	<u>850</u>	<u>589</u>
Supplies	<u> </u>	<u>500</u>	<u>477</u>	<u>23</u>
Total support services-school administration	<u>\$ 46,556</u>	<u>\$ 131,463</u>	<u>\$ 128,336</u>	<u>\$ 3,127</u>

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

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

GENERAL FUND - OPERATIONAL-11000
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative)
	Original	Final		Final to Actual
Central services:				
Personnel services	\$	\$ 38,548	\$ 34,070	\$ 4,478
Employee benefits	10	11,867	11,302	565
Professional & tech services	42,000	800	275	525
Other purchased services	5,700	9,719	9,425	294
Total central services	47,710	60,934	55,072	5,862
Operation & maintenance of plant:				
Personnel services		9,527	9,521	6
Employee benefits	8	7,183	2,740	4,443
Purchased property services	67,044	54,131	33,768	20,363
Repair and maintenance		1,832	1,512	320
Supplies		3,408	3,195	213
Total operation & maintenance of plant	67,052	76,081	50,736	25,345
Total expenditures	436,425	562,468	498,132	64,336
Excess (deficiency) of revenues over expenditures	(26,812)	(53,181)	(39,885)	13,296
Cash balance beginning of year	(17,138)	(215,831)	56,691	272,522
Cash balance end of year	\$ (43,950)	\$ (269,012)	\$ 16,806	\$ 285,818

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Excess (deficiency) of revenues over expenditures-cash basis	\$ (39,885)
Net change in account receivable	0
Net change in accounts payable	2
Excess (deficiency) of revenues over expenditures-GAAP basis	\$ (39,883)

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, 2016

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances
	<u>Original</u>	<u>Final</u>		Positive (Negative) <u>Final to Actual</u>
REVENUES				
State & local grants	\$ 2,305	\$ 3,231	\$ 3,717	\$ 486
Total revenues	<u>2,305</u>	<u>3,231</u>	<u>3,717</u>	<u>486</u>
EXPENDITURES				
Instruction:				
Supplies	<u>2,305</u>	<u>6,209</u>	<u>1,536</u>	<u>4,673</u>
Total instruction	<u>2,305</u>	<u>6,209</u>	<u>1,536</u>	<u>4,673</u>
Total expenditures	<u>2,305</u>	<u>6,209</u>	<u>1,536</u>	<u>4,673</u>
Excess (deficiency) of revenues over expenditures	0	(2,978)	2,181	5,159
Cash balance beginning of year	<u>(501)</u>	<u>(1,561)</u>	<u>2,978</u>	<u>4,539</u>
Cash balance end of year	<u>\$ (501)</u>	<u>\$ (4,539)</u>	<u>\$ 5,159</u>	<u>\$ 9,698</u>

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Excess (deficiency) of revenues over expenditures-cash basis	\$ 2,181
Net change in account receivable	0
Net change in accounts payable	<u>1</u>
Excess (deficiency) of revenues over expenditures-GAAP basis	<u>\$ 2,182</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, 2016

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variances Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
REVENUES				
Federal grants	\$ <u>19,596</u>	\$ <u>19,596</u>	\$ _____	\$ <u>(19,596)</u>
Total revenues	<u>19,596</u>	<u>19,596</u>	<u>0</u>	<u>(19,596)</u>
EXPENDITURES				
Support services-students:				
Professional & tech services	12,375	7,167	7,166	1
Other purchased services	2,000			
Supplies	1,000	7,701	5,705	1,996
Supply assets	<u>4,221</u>	<u>4,728</u>	<u>2,900</u>	<u>1,828</u>
Total support services-students	<u>19,596</u>	<u>19,596</u>	<u>15,771</u>	<u>3,825</u>
Total expenditures	<u>19,596</u>	<u>19,596</u>	<u>15,771</u>	<u>3,825</u>
Excess (deficiency) of revenues over expenditures	0	0	(15,771)	(15,771)
Cash balance beginning of year	<u>(21,136)</u>	<u>(42,298)</u>	<u>(1,313)</u>	<u>40,985</u>
Cash balance end of year	<u><u>\$ (21,136)</u></u>	<u><u>\$ (42,298)</u></u>	<u><u>\$ (17,084)</u></u>	<u><u>\$ 25,214</u></u>
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			\$ (15,771)	
Net change in account receivable			15,771	
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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the School adopted the following GASB Statements-

GASB Statement 72, Fair Value Measurement and Application:

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement 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:

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter period equity, and creating additional transparency Implementation of this standard did not have a significant impact on the School's financial.

GASB Statement 79, Certain External Investment Pools and Pool Participants:

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. Implementation of this standard did not have a significant impact on the School's financial.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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 are as follows:

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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

A. Financial Reporting Entity - Continued

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.

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.

Capital project fund

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

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.

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, 2016

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 are 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 do not accrue. Salaries for the twelve month employees' payroll are accrued.

Other Financing Sources (Uses)

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.
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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

C. Basis of Budgeting - Continued

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.

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less, and are held by governments other than external investment pools should be measured at amortized cost as provided in paragraph 9 of GASB No. 72.

The School's demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are reported at amortized cost per GASB statement No. 72.

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, 2016

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 received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. Additions, improvements, and other capital outlay 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.

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 the 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. The 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.

Committed fund balance consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

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.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for 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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.

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 6/30/2016</u>	<u>Bank of Albuquerque Balance 6/30/2016</u>	<u>Reconciled Balance</u>	<u>Type</u>
Operating	\$ 16,951	\$	\$ 11,791	Checking
Ed Grt	<u> </u>	<u>96,464</u>	<u>96,463</u>	Savings
Total deposited	16,951	96,464	<u>\$ 108,254</u>	
Less: FDIC coverage	<u>16,951</u>	<u>96,464</u>		
Uninsured amount	<u>\$ 0</u>	<u>\$ 0</u>		

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

<u>Custodial Credit Risk-Deposits</u>	
Account Balance	\$ <u>113,415</u>
FDIC Insured	113,415
Collateral:	
Collateral held by the pledging bank, not in the School's name	0
Uninsured and uncollateralized	<u>0</u>
Total deposits	\$ <u><u>113,415</u></u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016, none of the School's bank balance of \$113,415 was exposed to custodial credit risk.

NOTE 3. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances during the year ending June 30, 2016, were as follows:

<u>Due from other funds</u>	<u>Amount</u>	<u>Due to other funds</u>	<u>Amount</u>
Major governmental funds		Major governmental funds	
Operational - 11000	43,304	IDEA B - Entitlement - 24106	\$ 15,750
Bond Building-31100	<u>-</u>	Public School Capital Outlay - 31200	<u>15,094</u>
Total major governmental funds	<u>43,304</u>	Total major governmental funds	<u>30,844</u>
Nonmajor governmental funds		Nonmajor governmental funds	
		Go Bond Student Library SB-66 - 27107	3,080
		Capital Improvement SB-9 - 31700	1,780
		New Mexico Reads to Lead K-3 Reading Initiative - 27114	<u>7,600</u>
Total nonmajor governmental funds	<u> </u>	Total nonmajor governmental funds	<u>12,460</u>
Total	\$ <u>43,304</u>	Total	\$ <u>43,304</u>

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

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2016, is as follows:

<u>Governmental activities</u>	<u>Balance 6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2016</u>
Capital assets being depreciated:				
Buildings & improvements	\$ 54,292	\$	\$	\$ 54,292
Equipment and vehicles information technology equipment, software & library books	<u>56,678</u>	<u>8,925</u>	<u></u>	<u>65,603</u>
Total capital assets being depreciated	<u>110,970</u>	<u>8,925</u>	<u>0</u>	<u>119,895</u>
Less: accumulated depreciation for:				
Building & improvements	(28,422)	(2,862)		(31,284)
Equipment and vehicles information technology equipment, software & library books	<u>(48,749)</u>	<u>(3,883)</u>	<u></u>	<u>(52,632)</u>
Total accumulated depreciation	<u>(77,171)</u>	<u>(6,745)</u>	<u>0</u>	<u>(83,916)</u>
Capital assets, net	<u>\$ 33,799</u>	<u>\$ 2,180</u>	<u>\$ 0</u>	<u>\$ 35,979</u>

Depreciation expense was charged to Governmental activities as follows:

Instruction	\$ 3,883
Operation & maintenance of plant	<u>2,862</u>
Total depreciation expenses	<u>\$ 6,745</u>

NOTE 5: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

A. Deficit fund balance of individual funds.

<u>Fund Name</u>	<u>Amount</u>
Public School Capital Outlay 31200	\$ 15,094
GO Bond Act 27105	108
2012 Go Bond Student Library SB-66 27107	4,367
New Mexico Reads to Lead K-3 Reading Initiative 27114	8,169
Capital Improvement SB-9 31700	1,780

B. Excess of expenditures over appropriations by fund and function. The School did not have any funds and function with actual expenditures in excess of budgeted balances for the year ended June 30, 2016.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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.

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.state.nm.us.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. OTHER INFORMATION - (CONTINUED)

A. Retiree Health Care Act Contributions - Continued

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.

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, 2016, 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, and June 30, 2016, 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, 2016, 2015 and 2014 were \$6,207, \$4,817, and \$4,860 respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. OTHER INFORMATION - (CONTINUED)

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.

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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 plans 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.

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.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.

Contributions: The contribution requirements of defined benefit plan members and the School are established in state statute under Chapter 10, Article 11, NMSA 1978. For the fiscal year ended June 30, 2015 (and thereafter) employers contributed 13.90% of employees' gross annual salary to the Plan; participating employees earning more than \$20,000 annually contributed 10.70% of their gross salary. Employees earning \$20,000 or less contributed 7.90%. Contributions to the pension plan from the School were \$43,327 for the year ended June 30, 2016.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the School reported a liability of \$548,624 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, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the School's proportion was 0.00847% percent, which was a decrease of 0.00033 from its proportion measured as of June 30, 2014. For the year ended June 30, 2016, the School recognized pension expense of \$22,553. At June 30, 2016, 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	\$ 10,171
Changes of assumptions	18,871	0
Changes in proportion after reallocation of inactive employers	0	16,609
Net difference between projected and actual earnings on pension plan investments	0	2,470
Changes in proportion and differences between School contributions and proportionate share of contributions	0	25,309
School contributions subsequent to the measurement date	<u>43,327</u>	<u>0</u>
Total	<u>\$ 62,198</u>	<u>\$ 54,559</u>

\$43,327 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date June 30, 2015, 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>
2017	\$ 20,433
2018	18,517
2019	4,383
2020	(7,620)
Rounding off	<u>(25)</u>
Total	<u>\$ 35,688</u>

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability is based on an actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, 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, 2015. Specifically, the liabilities measured as of June 30, 2015, incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015, and 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 the Board on June 12, 2015, in conjunction with the six-year experience study period ending June 30, 2014, and

For 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:

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)

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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 2015 and 2014 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	<u>2015 Long-Term Expected Real Rate of Return</u>	<u>2014 Long-Term Expected Real Rate of Return</u>
Cash	3.25%	1.50%
Treasuries	3.50	2.00
IG Corp Credit	4.75	3.50
MBS	3.75	2.25
Core Bonds	3.98	2.53
TIPS	4.00	2.50
High Yield Bonds	5.75	4.50
Bank Loans	6.00	5.00
Global Bonds (Unhedged)	2.25	1.25
Global Bonds (Hedged)	2.41	1.38
EMD External	6.00	5.00
EMD Local Currency	6.75	5.75
Large Cap Equities	7.50	6.25
Small/Mid Cap	7.75	6.25
International Equities (Unhedged)	8.00	7.25
International Equities (Hedged)	8.47	7.50
Emerging International Equities	9.25	9.50
Private Equity	9.50	8.75
Private Debt	8.00	8.00
Private Real Assets	7.75	7.75
Real Estate	6.50	6.25
Commodities	5.75	5.00
Hedge Funds Low Vol	6.75	5.50
Hedge Funds Mod Vol	6.75	5.50

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2015 and June 30, 2014. 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. The 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 2016. 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 current 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>738,211</u>	\$ <u>548,624</u>	\$ <u>389,352</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, 2015, and 2014 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, 2016.

NOTE 8. SUBSEQUENT ACCOUNTING STANDARD PRONOUNCEMENTS

In June 2015, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued. The provisions of this Statement are effective for postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The School is still evaluating how this standard will affect the School.

In June 2015, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. The provisions of this Statement are effective for addressing accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The School is still evaluating how this standard will affect the School.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

In August 2015, GASB Statement No. 77, Tax Abatement Disclosures, was issued. The provisions of this Statement require governments that enter into tax abatement agreements to disclose relevant information about those agreements and is effective for fiscal years beginning after December 15, 2015. Earlier application is encouraged. The School is still evaluating how this standard will affect the School.

In December 2015, GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, was issued. The provisions of this Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plans and is effective for fiscal years beginning after December 15, 2015. The School is still evaluating how this standard will affect the School.

In January 2016, GASB Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14, was issued. The provisions of this Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units and is effective for reporting periods beginning after June 15, 2016. The School is still evaluating how this standard will affect the School.

In March 2016, GASB Statement No. 81, Irrevocable Split-Interest Agreements, was issued. The provisions of this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period and are effective for reporting periods beginning after December 15, 2016. The School is still evaluating how this standard will affect the School.

In March 2016, GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73, was issued. The provisions of this Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions and is effective for reporting periods after June 15, 2016. The School is still evaluating how this standard will affect the School. In February 2015, GASB Statement No. 72 Fair Value Measurement and Application, was issued. 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.

**SUPPLEMENTARY INFORMATION RELATED TO REMAINING
GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

NON MAJOR SPECIAL REVENUE FUNDS

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

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 Go Bond 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

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, 2016

	Special Revenue		
	Activity Transportation 23000	GO Bond Act 27105	GO Bond Stu Library Fund 27106
ASSETS			
Receivables:			
Accounts receivables	\$ _____	\$ _____	\$ _____
Total assets	0	0	0
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable		108	
Interfund payable			
Accrued payroll	_____	_____	_____
Total liabilities	0	108	0
FUND BALANCES			
Restricted-reported in:			
Unassigned - capital project funds			
Unassigned - Special revenue funds	_____	(108)	_____
Total fund balance	0	(108)	0
Total liabilities and fund balance	\$ 0	\$ 0	\$ 0

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NONMAJOR FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue		Capital Project
	2012 Go Bond Student Library SB-66 27107	New Mexico Reads to Lead K-3 Reading Initiative 27114	Capital Improvement SB-9 31700
ASSETS			
Receivables:			
Accounts receivables	\$ _____	\$ _____ 7	\$ _____
Total assets	_____ 0	_____ 7	_____ 0
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	1,287		
Interfund payable	3,080	7,600	1,780
Accrued payroll		576	
Total liabilities	_____ 4,367	_____ 8,176	_____ 1,780
FUND BALANCES			
Restricted-reported in:			
Unassigned - capital project funds			(1,780)
Unassigned - Special revenue funds	(4,367)	(8,169)	
Total fund balance	_____ (4,367)	_____ (8,169)	_____ (1,780)
Total liabilities and fund balance	\$ _____ 0	\$ _____ 7	\$ _____ 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, 2016

	Total
ASSETS	
Receivables:	
Accounts receivables	\$ <u>7</u>
Total assets	<u>7</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	1,395
Interfund payable	12,460
Accrued payroll	<u>576</u>
Total liabilities	<u>14,431</u>
FUND BALANCES	
Restricted-reported in:	
Unassigned - capital project funds	(1,780)
Unassigned - Special revenue funds	<u>(12,644)</u>
Total fund balance	<u>(14,424)</u>
Total liabilities and fund balance	<u><u>\$ 7</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, 2016

	Special Revenue		
Activity Transportation 23000	GO Bond Act 27105	GO Bond Stu Library Fund 27106	
REVENUES			
State & local grants	\$	\$	\$
Miscellaneous	7,139		
Total revenues	7,139	0	0
EXPENDITURES			
Current:			
Instruction	8,497		
Support services-instruction			
Support services-school administration			
Operation & maintenance of plant			
Total expenditures	8,497	0	0
Excess (deficiency) of revenues over expenditures	(1,358)	0	0
Fund balances at beginning of year	1,358	(108)	0
Fund balance end of year	\$ 0	\$ (108)	\$ 0

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
NONMAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue	
	2012 Go Bond Student Library SB-66 27107	New Mexico Reads to Lead K-3 Reading Initiative 27114
REVENUES		
State & local grants	\$	\$ 23,207
Miscellaneous		
Total revenues	0	23,207
EXPENDITURES		
Current:		
Instruction		21,324
Support services-instruction	3,080	
Support services-school administration		675
Operation & maintenance of plant		
Total expenditures	3,080	21,999
Excess (deficiency) of revenues over expenditures	(3,080)	1,208
Fund balances at beginning of year	(1,287)	(9,377)
Fund balance end of year	\$ (4,367)	\$ (8,169)

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, 2016

	<u>Capital Project</u>		<u>Total</u>
	Capital Improvement SB-9 31700		
REVENUES			
State & local grants	\$		\$ 23,207
Miscellaneous	<u>1,524</u>		<u>8,663</u>
Total revenues	<u>1,524</u>		<u>31,870</u>
EXPENDITURES			
Current:			
Instruction			29,821
Support services-instruction			3,080
Support services-school administration			675
Operation & maintenance of plant	<u>1,780</u>		<u>1,780</u>
Total expenditures	<u>1,780</u>		<u>35,356</u>
Excess (deficiency) of revenues over expenditures	(256)		(3,486)
Fund balances at beginning of year	<u>(1,524)</u>		<u>(10,938)</u>
Fund balance end of year	<u><u>\$ (1,780)</u></u>		<u><u>\$ (14,424)</u></u>

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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances
	Original	Final		Positive (Negative) Final to Actual
REVENUES				
Miscellaneous	\$ _____	\$ 15,000	\$ 7,139	\$ (7,861)
Total revenues	0	15,000	7,139	(7,861)
EXPENDITURES				
Instruction:				
Other purchased services	476	476		476
Repair and maintenance		13,000	8,228	4,772
Supplies		2,000	269	1,731
Total instruction	476	15,476	8,497	6,979
Total expenditures	476	15,476	8,497	6,979
Excess (deficiency) of revenues over expenditures	(476)	(476)	(1,358)	(882)
Cash balance beginning of year	4,223	3,865	1,358	(2,507)
Cash balance end of year	\$ 3,747	\$ 3,389	\$ 0	\$ (3,389)

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Excess (deficiency) of revenues over expenditures-cash basis	\$ (1,358)
Net change in account receivable	0
Net change in accounts payable	0
Excess (deficiency) of revenues over expenditures-GAAP basis	\$ (1,358)

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

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SPECIAL REVENUE FUND - GO BOND -27105
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

SPECIAL REVENUE FUND - GO BOND STUDENT LIBRARY FUND 27106
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Federal grants	\$ _____	\$ _____	\$ _____	\$ _____
Total revenues	0	0	0	0
EXPENDITURES				
Instruction:				
Personnel services	_____	_____	_____	_____
Total expenditures	0	0	0	0
Excess (deficiency) of revenues over expenditures	0	0	0	0
Cash balance beginning of year	679	679	0	(679)
Cash balance end of year	679	679	0	(679)
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			\$ 0	
Net change in account receivable			0	
Net change in accounts payable			0	
Excess (deficiency) of revenues over expenditures-GAAP basis			\$ 0	

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

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

SPECIAL REVENUE FUND - 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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
State & local grants	\$ 3,111	\$ 3,111	\$	\$ (3,111)
Miscellaneous	81	1,369		(1,369)
Total revenues	3,192	4,480	0	(4,480)
EXPENDITURES				
Support services-instruction:				
Supply assets	3,192	4,480	3,080	1,400
Total support services-instruction	3,192	4,480	3,080	1,400
Total expenditures	3,192	4,480	3,080	1,400
Excess (deficiency) of revenues over expenditures	0	0	(3,080)	(3,080)
Cash balance beginning of year	317	317	(1,287)	(1,604)
Cash balance end of year	\$ 317	\$ 317	\$ (4,367)	\$ (4,684)
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			\$ (3,080)	
Net change in account receivable			0	
Net change in accounts payable			0	
Excess (deficiency) of revenues over expenditures-GAAP basis			\$ (3,080)	

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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
State & local grants	\$ 22,000	\$ 22,000	\$ 23,207	\$ 1,207
Total revenues	22,000	22,000	23,207	1,207
EXPENDITURES				
Instruction:				
Personnel services	15,000	16,665	16,665	
Employee benefits		4,660	4,660	
Professional & tech services	3,250			
Supplies	3,075			
Total instruction	21,325	21,325	21,325	0
Support services-school administration:				
Professional & tech services	675	675	675	
Total support services-school administration	675	675	675	0
Total expenditures	22,000	22,000	22,000	0
Excess (deficiency) of revenues over expenditures	0	0	1,207	1,207
Cash balance beginning of year	0	0	(9,376)	(9,376)
Cash balance end of year	\$ 0	\$ 0	\$ (8,169)	\$ (8,169)

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Excess (deficiency) of revenues over expenditures-cash basis	\$ 1,207
Net change in account receivable	0
Net change in accounts payable	1
Excess (deficiency) of revenues over expenditures-GAAP basis	\$ 1,208

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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances
	Original	Final		Positive (Negative) Final to Actual
REVENUES				
State & local grants	\$ 103,021	\$ 103,021	\$	\$ (103,021)
Investment income			10	10
Total revenues	103,021	103,021	10	(103,011)
EXPENDITURES				
Instruction:				
Repair & maintenance	756	756		756
Total instruction	756	756	0	756
Operation & maintenance of plant:				
Repair & maintenance	26,669	26,669		26,669
Total operation & maintenance of plant	26,669	26,669	0	26,669
Capital outlay:				
Professional & tech services	5,000	5,000	325	4,675
Supply assets	25,000	25,000		25,000
Purchased property services	169,488	169,488		169,488
Construction services	50,000	50,000		50,000
Total capital outlay	249,488	249,488	325	249,163
Total expenditures	276,913	276,913	325	276,588
Excess (deficiency) of revenues over expenditures	(173,892)	(173,892)	(315)	173,577
Cash balance beginning of year	(161,319)	(76,898)	96,454	173,352
Cash balance end of year	\$ (335,211)	\$ (250,790)	\$ 96,139	\$ 346,929

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Net changes in fund balances-cash basis	\$ (315)
Net change in account receivable	0
Net change in accounts payable	(1)
Net changes in fund balances-GAAP basis	\$ (316)

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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
State & local grants	\$ _____	\$ 30,186	\$ 23,233	\$ (6,953)
Total revenues	0	30,186	23,233	(6,953)
EXPENDITURES				
Capital outlay:				
Purchased property services		30,186	30,186	
Total Capital outlay	0	30,186	30,186	0
Total expenditures	0	30,186	30,186	0
Excess (deficiency) of revenues over expenditures	0	0	(6,953)	(6,953)
Cash balance beginning of year	8,015	(15,779)	(8,139)	7,640
Cash balance end of year	8,015	(15,779)	(15,092)	687
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS				
Excess (deficiency) of revenues over expenditures-cash basis			\$ (6,953)	
Net change in account receivable			(1)	
Net change in accounts payable			0	
Excess (deficiency) of revenues over expenditures-GAAP basis			\$ (6,954)	

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, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
State & local grants	\$	\$ 1,780	\$	\$ (1,780)
Miscellaneous	<u>1,347</u>	<u>1,347</u>	<u>1,524</u>	<u>177</u>
Total revenues	<u>1,347</u>	<u>3,127</u>	<u>1,524</u>	<u>(1,603)</u>
EXPENDITURES				
Instruction:				
Repair & maintenance	<u>1,347</u>	<u>1,347</u>	<u> </u>	<u>1,347</u>
Total instruction	<u>1,347</u>	<u>1,347</u>	<u>0</u>	<u>1,347</u>
Capital Outlay				
Supply assets	<u> </u>	<u>1,780</u>	<u>1,780</u>	<u> </u>
Total capital outlay	<u>0</u>	<u>1,780</u>	<u>1,780</u>	<u>0</u>
Total expenditures	<u>1,347</u>	<u>3,127</u>	<u>1,780</u>	<u>1,347</u>
Excess (deficiency) of revenues over expenditures	0	0	(256)	(256)
Cash balance beginning of year	<u>(4,268)</u>	<u>(5,596)</u>	<u>(1,524)</u>	<u>4,072</u>
Cash balance end of year	<u><u>\$ (4,268)</u></u>	<u><u>\$ (5,596)</u></u>	<u><u>\$ (1,780)</u></u>	<u><u>\$ 3,816</u></u>

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

Excess (deficiency) of revenues over expenditures-cash basis	\$ (256)
Net change in account receivable	0
Net change in accounts payable	<u>0</u>
Excess (deficiency) of revenues over expenditures-GAAP basis	<u><u>\$ (256)</u></u>

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
CASH RECONCILIATION - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

		Beginning Balance <u>6/30/2015</u>	Revenue	Expenditu res	Prior Year Warrants Voided/O ther Adjus tments	Due to\ (from) due to Pooled Cash	Ending Cash Balance <u>6/30/2016</u>
Operational	11000	\$ 57,377	\$458,246	\$499,910	\$ 34,071	\$ (44,460)	\$ 5,324
Instructional Materials	14000	2,978	3,717	1,536		1	5,160
Non-Instructional Fund	23000	1,358	7,139	8,497			
Federal Flowthrough	24000	(1,313)		15,771	21	17,063	
State Flowthrough	27000	(10,765)	23,207	25,080	1,965	12,304	1,631
Bond Building Fund	31100	96,454	10	325			96,139
Public School Capital Outlay	31200	(8,139)	23,233	30,186		15,092	
Senate Bill Nine	31700	(1,524)	1,524				
Total		<u>\$136,426</u>	<u>\$517,076</u>	<u>\$581,305</u>	<u>\$ 36,057</u>	<u>\$</u>	<u>\$108,254</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, 2016**

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

Agency Number	Agency Name	Agency Type	RFB #/ RFP #/	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
7069-B	Roots and Wings Community School	School District	None										
There were no purchases that exceeded \$60,000 as on June 30, 2016.													

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, 2016

Educational Retirement Board (ERB) Plan

	2015	2016
School's proportion of the net pension liability (asset)	0.00882%	0.00847%
School's proportionate share of the net pension liability (asset)	\$ 503,237	\$ 548,624
School's covered-employee payroll	242,999	231,258
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207.09%	237.23%
Plan fiduciary net position as a percentage of the total pension liability	66.54%	63.97%

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, 2016

Educational Retirement Board (ERB) Pension Plan

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 33,539	\$ 43,327
Contributions in relation to the contractually required contribution	33,539	43,327
Contribution deficiency (excess)	-	-
School's covered-employee payroll	242,999	310,974
Contributions as a percentage of covered-employee payroll	13.80%	13.93%

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, 2016

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 June 12, 2015, ERB implemented the following changes in assumptions for fiscal years 2015.

1. The fiscal year 2015 and 2014 valuation assumptions that changed based on this study:
 - (a) Lower wage inflation from 4.25% to 3.75%
 - (b) Population growth per year from .50% to zero (no impact on valuation results).
 - (c) Minor changes to demographic assumptions

2. Assumptions that were not changed:
 - (a) Investment return will remain at 7.75%
 - (b) Inflation will remain at 3.00%
 - (c) Payroll growth will remain at 3.50%.

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 and major special revenue fund of the Roots & Wings Community School (School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and the combining and individual funds and related budgetary comparisons of the School, presented as supplemental information, and have issued our report thereon dated November 03, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider as items 2014-001, 2015-001 and 2015-003 to be significant deficiencies.

Compliance and Other Matters

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

The School's Response to Findings

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

Purpose of this Report

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

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
November 03, 2016

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- | | | |
|---|---|--|
| • Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| • Significant deficiency(ies) identified that are not considered to be a 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, 2016

SECTION II. AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS

2014-001 Internal Controls over Receipts and Deposits (Significant Deficiency) - Repeated & Modified

Condition

During our internal control test work over cash receipts, we noted that in 5 out of 25 items tested for a total of \$4,410, proper supporting documentations were not provided.

The School did make progress in resolving this finding. The amount and numbers of cash receipts related exceptions have decreased from the prior year.

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 ensure proper accurate records. Good internal controls require that sufficient documentation are maintained to support the reasonableness, proper classification of, and the existence and occurrence of services or goods represented by receipts.

Cause

The School did not maintain an organized and reliable general ledger electronically or manually. The School staff failed to ensure that all of the required documentation that supports the receipts and deposits were in place.

Effect

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

Management Response:

The Business Manager is in the process of providing training to employees to ensure appropriate personnel is 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. Business Manager is working with Finance Committee to strengthen controls and insure that the school is implementing procedures.

Estimated Completion Date: December 31, 2016.

Responsible party: Business Manager, Principal, Finance Committee and Governing Council.

**STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

Condition

During our review of journal entries, we noted that in 10 of 10 journal entries tested there was no supporting documentation to support the adjustment.

The School did not make any progress in resolving this finding. However, School is working with appropriate personnel to ensure these issues are resolved in subsequent years.

Criteria

Good accounting procedures require that all manual journal entries should have proper supporting documentation and be reviewed by at least two individuals who should sign and date the journal entry. This should be performed in order to detect errors and to prevent improper movement of funds. This provides an internal deterrent to errors, fraud, and misappropriation of assets

Cause

The School did not provide documentation to support the need for the adjustment, and there are no signatures authorizing the adjustment.

Effect

The School has not followed good accounting procedures and has opened itself up to the possibility of error and abnormal movement of funds.

Recommendation

We recommend that management record all journal entries properly and ensure that all adjustments have proper documentation and are signed off by two separate individuals.

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. The Business Manager will ask the Principal and Board President to sign the Journal Entries. Business Manager is working with Finance Committee to strengthen controls and insure that the school is implementing procedures.

Estimated Completion Date: December 31, 2016.

Responsible party: Business Manager, Principal, Finance Committee and Governing Council.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

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

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

Condition

During our review of various disbursements at the School, we noted that for 1 out of 45 disbursements totaling \$1,910 that did not have supporting documentation to review.

The School is working on these issues to ensure these are resolved in subsequent years.

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.

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 was not adequately enforced.

Effect

Without proper documentation, there are not adequate controls over expenditures which could result in overspending.

Recommendation

The School should implement procedures to maintain proper supporting documentation, retain all documents related to general disbursement.

Management Response:

The Business Manager is in the process of providing training to employees to ensure appropriate personnel is knowledgeable of applicable laws and regulations in regards to maintain proper supporting documentation, retain all documents related to general cash disbursements. 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 working with Finance Committee to strengthen controls and insure that the school is implementing procedures.

Estimated Completion Date: December 31, 2016.

Responsible party: Business Manager, Principal, Finance Committee and Governing Council.

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2016

Findings	Status
2014-001 Internal Control over Receipts and Deposits (Material Weakness)	Repeated & Modified
2015-001 Journal Entry Review and Approval - (Significant Deficiency)	Repeated & Modified
2015-002 Expenditure in Excess of Budget Amounts (Others)	Resolved
2015-003 Internal Control over Disbursement (Significant Deficiency)	Repeated & Modified
2015-004 Purchase Orders and Payment Authorization - (Significant Deficiency)	Resolved

STATE OF NEW MEXICO
ROOTS & WINGS COMMUNITY SCHOOL
OTHER DISCLOSURES
JUNE 30, 2016

PREPARATION OF FINANCIAL STATEMENTS

Management is responsible for the content of the report and financial statements. It would be preferable and desirable for the School to prepare its own GAAP-basis financial statements; although the School is capable, with guidance, of preparing, reviewing and approving the financial statements, it is felt that the School's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report. The responsibility for the financial statements remains with the School.

EXIT CONFERENCE

An exit conference was held on November 14th, 2016. The following individuals were in attendance:

Roots & Wings Community School New Mexico

Charlotte Archuleta- Business Manager/CPO

Nancy Gonzalez- School Director

Harshwal & Company LLP

Sanwar Harshwal, CPA, Managing Partner

Mariem Tall- Auditor Manager

Albert Hwu, Senior Auditor