

**State of New Mexico  
Village of Roy**

**Basic Financial Statements and  
Supplementary Information  
for the Year Ended June 30, 2005  
and Independent Auditors' Report**

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**TABLE OF CONTENTS**

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	<b>Page</b>
DIRECTORY OF OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements	
Statement of Net Assets	5
Statement of Activities	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	7
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on Budgetary Basis	
General Fund	11
Fire fund	13
Proprietary Fund Financial Statements	
Statement of Net Assets	14
Statement of Revenues, Expenses and Changes in Net Assets	15
Statement of Cash Flows	16
Notes to the Financial Statements	18
<b>SUPPLEMENTARY INFORMATION:</b>	
Combining and Individual Funds Statements and Schedules:	
Combining Balance Sheet - Nonmajor Special Revenue Funds	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	36

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**TABLE OF CONTENTS (Continued)**

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	<b>Page</b>
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual:	
Nonmajor Special Revenue Funds	
EMS Fund	37
Law Enforcement Protection Fund	38
Recreation Fund	39
Cemetery Fund	40
Reserve Bond Fund	41
Fire Department Building Special Fund	42
Municipal Street Fund	43
CDBG Fund	44
Proprietary Funds - Water and Sewer	46
Proprietary Funds - Solid Waste	47
Other Supplemental Information	
Schedule of Deposit Accounts	48
Schedule of Pledged Collateral	49
<b>COMPLIANCE SECTION</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51
Schedule of Findings and Responses	53
Financial Statement Preparation	64
Exit Conference	65

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**DIRECTORY OF OFFICIALS  
JUNE 30, 2005**

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Board of Trustees

Matthew Baca  
Donna Sue Milson  
Dorothy Hazen  
Maria Alicia Telles-Tompkins

Mayor  
Mayor Pro Tem  
Trustee  
Trustee

Other Officials

Stella Devers  
Jackie Valdez

Clerk - Treasurer  
Deputy Clerk

## **INDEPENDENT AUDITORS' REPORT**

Hector H. Balderas, State Auditor  
and the Mayor and City Council of the  
Village of Roy, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Village of Roy, New Mexico (the Village), as of and for the year ended 2005, which collectively comprise the Village of Roy' basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Village of Roy' nonmajor governmental funds and the budgetary comparisons for the enterprise funds, and the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended 2005, as listed in the table of contents. These financial statements are the responsibility of the Village of Roy' management.

At the commencement of fieldwork, the Village's accounting software failed and all general ledger and related accounting data was lost. The Village had no data backup system to rely upon, leaving no backup information available. As a result of these failures, the Village cannot provide general ledger detail to amounts reported on its trial balance. The Village cannot provide subsidiary ledgers for cash, accounts receivable, accounts payable, accruals or any asset, liability, revenue, expense, or fund balance and net asset account.

Because of inadequate capital asset records, we were unable to form an opinion regarding the amounts of capital assets recorded in the governmental activities and business-type activities financial statements.

We were unable to obtain written representations from management of the Village concerning transactions related to the fiscal year 2005, which took place under substantially different management, as required by generally accepted auditing standards.

At 2005 the liability for compensated absences was not available and management has elected not to record it.

We were unable to examine sufficient competent evidential matter to determine the collectibility of receivables of all funds.

We were unable to obtain detail to any general ledger account and subsidiary ledgers and audit that detail and ledgers because of the failure of the Village's accounting software and data backup system. We were unable to satisfy ourselves about the lack of general ledger detail, and lack of all subsidiary ledgers by means of other auditing procedures.

Because we were unable to obtain detail to any general ledger account and subsidiary ledgers, and we were unable to apply other auditing procedures regarding lack of general ledger detail, and lack of all subsidiary ledgers as discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

We were engaged for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The scope of our audited was limited as discussed in the second, and third paragraphs above and because of the significance of these matters, we do not express an opinion on the basic financial statements and the combining and individual fund financial statements; accordingly, the other supplemental information as listed in the table of contents have not been subjected to auditing procedures in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards; therefore, we do not express an opinion as to the other supplemental information as listed in the table of contents in relation to the basic financial statements taken as a whole.

*White + Samaniego + Campbell, LLP*

El Paso, Texas  
January 18, 2012

**BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<b>Primary Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 532,138	\$ 45,614	\$ 577,752
Receivables, net of allowance for uncollectibles	<u>16,176</u>	<u>3,598</u>	<u>19,774</u>
Total current assets	548,314	49,212	597,526
Noncurrent assets			
Restricted assets - cash	-	14,652	14,652
Capital assets	7,733,099	8,073,308	15,806,407
Less accumulated depreciation	<u>(828,701)</u>	<u>(3,276,500)</u>	<u>(4,105,201)</u>
Total noncurrent assets	<u>6,904,398</u>	<u>4,811,460</u>	<u>11,715,858</u>
Total assets	<u>\$ 7,452,712</u>	<u>\$ 4,860,672</u>	<u>\$ 12,313,384</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ 4,285</u>	<u>\$ 4,285</u>
Total current liabilities	-	4,285	4,285
Long-term liabilities:			
Compensated absences	1,379	-	1,379
Customer deposits	<u>-</u>	<u>14,652</u>	<u>14,652</u>
Total noncurrent liabilities	<u>1,379</u>	<u>14,652</u>	<u>16,031</u>
Total liabilities	<u>1,379</u>	<u>18,937</u>	<u>20,316</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,904,398	4,796,808	11,701,206
Restricted	-	14,652	14,652
Unrestricted	<u>546,935</u>	<u>30,275</u>	<u>577,210</u>
Total net assets	<u>\$ 7,451,333</u>	<u>\$ 4,841,735</u>	<u>\$ 12,293,068</u>

See independent auditors' report and accompanying notes to financial statements.



STATE OF NEW MEXICO  
VILLAGE OF ROY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Program Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 191,497	\$ 36,373	\$ 11,000	\$ -	\$ (144,124)	\$ -	\$ (144,124)
Public safety	49,321	1,506	82,309	-	34,494	-	34,494
Public works	19,879	-	-	-	(19,879)	-	(19,879)
Culture and recreation	8,358	-	-	-	(8,358)	-	(8,358)
Total governmental activities	269,055	37,879	93,309	-	(137,867)	-	(137,867)
Business-type activities:							
Water and sewer	161,115	107,311	269,400	-	-	215,596	215,596
Solid waste	7,539	-	-	-	-	(7,539)	(7,539)
Total business-type activities	168,654	107,311	269,400	-	-	208,057	208,057
Total primary government	\$ 437,709	\$ 145,190	\$ 362,709	\$ -	\$ (137,867)	\$ 208,057	\$ 70,190
General Revenues:							
Taxes:							
Gross receipts					79,419	-	79,419
Cigarette					2,938	-	2,938
Gasoline					9,387	-	9,387
Property					2,259	-	2,259
Small cities assistance					35,000	-	35,000
Miscellaneous					15,698	(1,023)	14,675
Interest income					170	30	200
Transfers in (out)					269,400	(269,400)	-
Total general revenues					414,271	(270,393)	143,878
Change in net assets					276,404	(62,336)	214,068
Net assets, as previously reported					7,174,929	4,904,071	12,079,000
Net assets, end of year					7,451,333	4,841,735	12,293,068

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 377,400	\$ 84,514	\$ 70,224	\$ 532,138
Receivables, net of allowance for uncollectibles	<u>15,756</u>	<u>-</u>	<u>420</u>	<u>16,176</u>
Total assets	<u>\$ 393,156</u>	<u>\$ 84,514</u>	<u>\$ 70,644</u>	<u>\$ 548,314</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES:</b>				
<b>Current liabilities</b>				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES:</b>				
<b>Unreserved reported in:</b>				
General fund	393,156	-	-	393,156
Special revenue funds	<u>-</u>	<u>84,514</u>	<u>70,644</u>	<u>155,158</u>
Total fund balances	<u>393,156</u>	<u>84,514</u>	<u>70,644</u>	<u>548,314</u>
Total liabilities and fund balances	<u>\$ 393,156</u>	<u>\$ 84,514</u>	<u>\$ 70,644</u>	<u>\$ 548,314</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

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Total fund balances for governmental funds	\$ 548,314
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	
The cost of capital assets	7,733,099
Accumulated depreciation	<u>(828,701)</u>
Net capital assets	<u>6,904,398</u>
Long-term liabilities and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:	
Compensated absences	<u>(1,379)</u>
Net long-term liabilities	<u>(1,379)</u>
Net assets of governmental activities	<u>\$ 7,451,333</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>				
Taxes:				
Gross receipt taxes	\$ 79,419	\$ -	\$ -	\$ 79,419
Gas taxes	9,387	-	-	9,387
Property taxes	2,259	-	-	2,259
Other taxes	2,938	-	-	2,938
Grants	11,000	43,620	38,689	93,309
Small city assistance	35,000	-	-	35,000
Charges for services	36,373	-	1,506	37,879
Joint power agreement	4,800	-	-	4,800
Licenses and permits	1,069	-	-	1,069
Rents and royalties	8,477	-	-	8,477
Interest income	103	48	19	170
Miscellaneous	-	101	1,251	1,352
Total revenues	<u>190,825</u>	<u>43,769</u>	<u>41,465</u>	<u>276,059</u>
<b>EXPENDITURES:</b>				
Current:				
Finance department	191,497	-	-	191,497
Public safety	-	24,233	25,088	49,321
Public works	-	-	19,879	19,879
Culture and recreation	-	-	8,358	8,358
Total expenditures	<u>191,497</u>	<u>24,233</u>	<u>53,325</u>	<u>269,055</u>
Excess (deficiency) of revenues over expenditures	<u>(672)</u>	<u>19,536</u>	<u>(11,860)</u>	<u>7,004</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>270,269</u>	<u>-</u>	<u>(869)</u>	<u>269,400</u>
Total other sources (uses)	270,269	-	(869)	269,400
Net change in fund balance	269,597	19,536	(12,729)	276,404
Fund balance at beginning of year,	<u>123,559</u>	<u>64,978</u>	<u>83,373</u>	<u>271,910</u>
Fund balance at end of year	<u>\$ 393,156</u>	<u>\$ 84,514</u>	<u>\$ 70,644</u>	<u>\$ 548,314</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

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Net change in fund balances - total governmental funds	\$ 276,404
The changes in net assets reported for governmental activities in the statement of activities are different because:	
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	-
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.	
Depreciation expense	-
Capital outlays	-
	-
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
	-
Proceeds from notes payable are revenue in the governmental funds, but increase the long-term liabilities in the government-wide	
	-
Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
	-
Change in net assets of governmental activities	<u>\$ 276,404</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH  
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Taxes:				
Gross receipts	\$ 9,300	\$ 9,300	\$ 79,419	\$ 70,119
Property tax	2,150	2,150	2,259	109
Franchise tax	-	-	-	-
Other tax	1,800	1,800	12,325	10,525
State shared gross receipts	45,609	45,609	-	(45,609)
Other license and permits	612	612	1,069	457
Rent and royalties	-	-	8,477	8,477
Grants	55,974	55,974	11,000	(44,974)
Interest income	-	-	103	103
Miscellaneous	15,355	15,355	76,173	60,818
	<u>130,800</u>	<u>130,800</u>	<u>190,825</u>	<u>60,025</u>
Total revenues				
<b>EXPENDITURES</b>				
General government				
Benefits	18,556	18,556	151	18,405
Capital outlay	6,000	6,000	-	6,000
Contract services	6,000	6,000	40,814	(34,814)
Insurance	-	-	10,472	(10,472)
Maintenance	200	200	(1,097)	1,297
Miscellaneous	39,775	39,775	74,517	(34,742)
Salaries	63,273	63,273	45,793	17,480
Supplies	5,500	5,500	691	4,809
Telephone	-	-	4,641	(4,641)
Travel	3,100	3,100	3,549	(449)
Utilities	-	-	11,966	(11,966)
	<u>142,404</u>	<u>142,404</u>	<u>191,497</u>	<u>(49,093)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	\$ (11,604)	\$ (11,604)	\$ (672)	\$ 109,118

(Continued)

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Other financing uses				
Transfers out	-	-	270,269	270,269
Total other financing other uses	-	-	270,269	270,269
Net change in fund balance	(11,604)	(11,604)	269,597	281,201
Fund balance beginning of year	<u>123,559</u>	<u>123,559</u>	<u>123,559</u>	<u>-</u>
Fund balance end of year	<u>\$ 111,955</u>	<u>\$ 111,955</u>	<u>\$ 393,156</u>	<u>\$ 281,201</u>

**Reconciliation of Budgetary Basis to GAAP Basis:**

Net changes in fund balance budgetary basis	\$ 269,597
Revenue accruals	-
Expenditure accruals	-
Excess (deficiency) of revenues over expenditures - GAAP Basis	<u>\$ 269,597</u>

(Concluded)

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS  
SPECIAL REVENUE FUND - FIRE FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Fire allotment	\$ 43,620	\$ 43,620	\$ 43,620	\$ -
Interest	20	20	48	28
Rent	1,000	1,000	-	(1,000)
Miscellaneous	-	-	101	101
	<u>44,640</u>	<u>44,640</u>	<u>43,769</u>	<u>(871)</u>
Total revenues				
<b>EXPENDITURES</b>				
Public safety				
Capital outlay	85,727	85,727	-	85,727
Insurance	10,000	10,000	10,000	-
Maintenance	-	-	5,800	(5,800)
Miscellaneous	11,900	11,900	1,220	10,680
Salaries	-	-	2,331	(2,331)
Utilities	-	-	4,882	(4,882)
	<u>107,627</u>	<u>107,627</u>	<u>24,233</u>	<u>83,394</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(62,987)</u>	<u>(62,987)</u>	<u>19,536</u>	<u>82,523</u>
Other financing sources (uses)				
Transfers in/out	<u>(30,156)</u>	<u>(30,156)</u>	<u>-</u>	<u>30,156</u>
Total other financing other sources (uses)	<u>(30,156)</u>	<u>(30,156)</u>	<u>-</u>	<u>30,156</u>
Net change in fund balance	(93,143)	(93,143)	19,536	112,679
Fund balance beginning of year	<u>64,978</u>	<u>64,978</u>	<u>64,978</u>	<u>-</u>
Fund balance end of year	<u>\$ (28,165)</u>	<u>\$ (28,165)</u>	<u>\$ 84,514</u>	<u>\$ 112,679</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance			\$ 19,536	
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ 19,536</u>	

See independent auditors' report and accompanying notes to financial statements.



**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 31,655	\$ 13,959	\$ 45,614
Accounts receivable, net	<u>3,598</u>	<u>-</u>	<u>3,598</u>
Total current assets	<u>35,253</u>	<u>13,959</u>	<u>49,212</u>
Noncurrent assets			
Customer deposits	14,652		14,652
Capital assets	5,913,763	2,159,545	8,073,308
Less accumulated depreciation and amortization	<u>(3,244,000)</u>	<u>(32,500)</u>	<u>(3,276,500)</u>
Total noncurrent assets	<u>2,684,415</u>	<u>2,127,045</u>	<u>4,811,460</u>
Total assets	<u>\$ 2,719,668</u>	<u>\$ 2,141,004</u>	<u>\$ 4,860,672</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 4,285	\$ -	\$ 4,285
Total current liabilities	<u>4,285</u>	<u>-</u>	<u>4,285</u>
Noncurrent liabilities			
Customer deposits	<u>14,652</u>	<u>-</u>	<u>14,652</u>
Total noncurrent liabilities	<u>14,652</u>	<u>-</u>	<u>14,652</u>
Total liabilities	<u>18,937</u>	<u>-</u>	<u>18,937</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,669,763	2,127,045	4,796,808
Restricted	14,652	-	14,652
Unrestricted	<u>16,316</u>	<u>13,959</u>	<u>30,275</u>
Total net assets	<u>\$ 2,700,731</u>	<u>\$ 2,141,004</u>	<u>\$ 4,841,735</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues			
Sales and service	105,347	-	105,347
Miscellaneous	<u>1,964</u>	<u>-</u>	<u>1,964</u>
Total operating revenues	<u>107,311</u>	<u>-</u>	<u>107,311</u>
Operating expenses			
Benefits	(957)	-	(957)
Other operating costs	29,736	-	29,736
Contract services	168	-	168
Maintenance	832	-	832
Miscellaneous	56,554	7,539	64,093
Salaries	64,686	-	64,686
Supplies	62	-	62
Telephone	1,472	-	1,472
Travel	274	-	274
Utilities	<u>8,288</u>	<u>-</u>	<u>8,288</u>
Total operating expenses	<u>161,115</u>	<u>7,539</u>	<u>168,654</u>
Operating income (loss)	<u>(53,804)</u>	<u>(7,539)</u>	<u>(61,343)</u>
Nonoperating revenues (expenses)			
Grants	269,400	-	269,400
Interest income	30	-	30
Interest expense	<u>(1,023)</u>	<u>-</u>	<u>(1,023)</u>
Total nonoperating revenues (expenses)	<u>268,407</u>	<u>-</u>	<u>268,407</u>
Change in net assets	214,603	(7,539)	207,064
Other financing sources			
Transfers out	<u>(269,400)</u>	<u>-</u>	<u>(269,400)</u>
Total other sources	<u>(269,400)</u>	<u>-</u>	<u>(269,400)</u>
Net change in net assets	(54,797)	(7,539)	(62,336)
Net assets, beginning of year	<u>2,755,528</u>	<u>2,148,543</u>	<u>4,904,071</u>
Net assets, end of year	<u>\$ 2,700,731</u>	<u>\$ 2,141,004</u>	<u>\$ 4,841,735</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 107,310	\$ -	\$ 107,310
Cash payments to suppliers and employees	<u>(161,853)</u>	<u>(22,989)</u>	<u>(184,842)</u>
Net cash used in operating activities	<u>(54,543)</u>	<u>(22,989)</u>	<u>(77,532)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers, net	(269,400)	-	(269,400)
Grants	<u>269,400</u>	<u>-</u>	<u>269,400</u>
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal payments	(1,050)	-	(1,050)
Interest payments	<u>(1,022)</u>	<u>-</u>	<u>(1,022)</u>
Net cash used in capital and related financing activities	<u>(2,072)</u>	<u>-</u>	<u>(2,072)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	<u>30</u>	<u>-</u>	<u>30</u>
Net cash provided by investing activities	<u>30</u>	<u>-</u>	<u>30</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(56,585)</b>	<b>(22,989)</b>	<b>(79,574)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>102,892</u></b>	<b><u>36,948</u></b>	<b><u>139,840</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 46,307</u></b>	<b><u>\$ 13,959</u></b>	<b><u>\$ 60,266</u></b>
<b>RECONCILIATION TO CASH AND CASH EQUIVALENT AS REPORTED ON THE STATEMENT OF NET ASSETS</b>			
Cash and cash equivalents	\$ 31,655	\$ 13,959	\$ 45,614
Restricted cash	<u>14,652</u>	<u>-</u>	<u>14,652</u>
	<b><u>\$ 46,307</u></b>	<b><u>\$ 13,959</u></b>	<b><u>\$ 60,266</u></b>

(Continued)

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

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	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating loss	(53,805) \$	(7,539) \$	(61,344)
Adjustment to reconcile operating loss to net cash used in operating activities:			
Changes in assets and liabilities			
Accounts receivable	(3,598)	-	(3,598)
Accounts payable	4,285	-	4,285
Accrued interest	-	(15,450)	(15,450)
Compensated absences	(1,697)	-	(1,697)
Customer deposits	272	-	272
Total adjustments	<u>(738)</u>	<u>(15,450)</u>	<u>(16,188)</u>
Net cash used in operating activities	<u>\$ (54,543)</u>	<u>\$ (22,989)</u>	<u>\$ (77,532)</u>

(Concluded)

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Roy (the "Village") have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the Village's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) providing an analysis of the Village's overall financial position and results of operations.
- Financial Statements prepared using full-accrual accounting for all the Village's activities.
- A change in fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2005.

In addition, in June 2001, the GASB issued Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, Certain Financial Note Disclosures. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the Village.

**Reporting Entity**

The Village of Roy was incorporated under the laws of the State of New Mexico. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative service matters.

A GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, 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 Village has no component units, defined by GASB Statement No. 14 as other legally separate

organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Board Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

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

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

### **Basis of Presentation**

***Government-Wide Financial Statements (GWFS)*** - The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Village. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level. The Village has no Fiduciary Funds. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: Charges for services is the term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues in this category include fees charged for specific services, such as water use or garbage collection; licenses and permits, such as dog licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients. Fines and forfeitures are also included in this category because they result from direct charges to those who are otherwise directly affected by a program or service, even though specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes to purchase, construct, or renovate capital assets associated with a specific program. These should be reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the reporting government. These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the reporting government.

The Village segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Village has presented the following major governmental funds:

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

### **Special Revenue Funds**

**Fire Fund** - To account for the operation and maintenance of the Village Fire Department. Financing is primarily from an annual state fire allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

### **Enterprise Funds**

**Proprietary Funds** - To account for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The Village has presented the following major proprietary funds:

**Water and Sewer and Solid Waste Funds** - The funds are used to account for the provision of water, sewer and garbage services to the residents of the Village. Activities of the funds include administration, operations and maintenance of the water and sewer system and billing and collection activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the 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.

### **Measurement Focus, Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government wide and proprietary statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Village's general revenues. Program revenues include charges for services or applicants who purchase, use or directly benefit from the goods or

services provided by the given function.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both 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 be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

### ***Budgetary Control***

The Village follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Village clerk submits a proposed operating budget for the fiscal year commencing July 1, prior to June 30. The operating budget includes proposed expenditures and the means for financing them. A budget is proposed for the General and Special Revenue Funds. Proprietary Funds are also budgeted.
2. Public hearings are conducted to obtain taxpayer comments. The budgets are then submitted to the Department of Finance and Administration for review, adjustment and approval.
3. Prior to June 30, the budget is legally enacted through passage of a resolution. The Village Council is authorized to transfer budgeted amounts between departments within any fund. Department of Finance and Administration, Local Government Division must approve any revisions that alter the total expenditures of any fund.
4. Budgets for all funds are adopted on a regulatory prescribed cash basis. The level of budgeting control is by fund total. Budgetary information is presented as amended, the amendments being adopted in a legally prescribed manner. Appropriations lapse at year-end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.

### **Encumbrances**

Encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances lapse at year-end and therefore are not presented in these financial statements

### **Cash and Cash Equivalents**

Cash includes amounts in demand deposits as well as certificates of deposit acquired by the Village. For the purpose of reporting cash flows all highly liquid investments including restricted assets with maturity of three months or less are considered to be cash equivalents. The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.



### **Investments**

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

(a) bonds or negotiable securities of the United States, the state or any county, municipality or Village 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; or

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

### **Receivables and Payables**

Receivables include property taxes, 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.

### **Property Taxes**

The County collects the Village's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

### **Capital Assets**

Capital assets, which includes property, buildings, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

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:

Site improvements	40 Years
Buildings	20 - 40 Years
Improvements	10 - 40 Years
Equipment	3 - 15 Years

**Use of Restricted Funds**

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**Revenue**

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

**Compensated Absences**

All full-time employees are entitled to a minimum of two weeks per year and a maximum of 22 days per year based upon the length of service.

Each permanent employee of the Village accrues sick leave as working days with full pay on the basis of one (1) day per each month of employment. Sick leave may be granted only from duty because of personal illness, legal quarantine, or medical, dental, or optical appointments. In case of an extended sickness in excess of the accumulated sick leave, annual leave may be applied to sick leave. The employee may be eligible to sell sick leave in excess of 10 days at the rate of 75% of regular pay, only upon approval of the board.

**Net Assets**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, and then unrestricted resources as needed.

***Investment in capital assets, net of related debt***

This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

***Restricted net assets***

Restricted net assets result from the constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation.

***Unrestricted net assets***

This category reflects net assets of the Village, not restricted for any project or other purpose.

The Village's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

### **Inter-Fund Transactions**

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

### **Estimates**

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

### **New Governmental Accounting Standards**

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent

with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance – Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit – Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 – Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

## **2 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).

**3. CASH AND INVESTMENTS**

**Deposits**

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. As of June 30, 2005, the Village's bank balance total of \$597,711 was exposed to credit risk in the amount of \$497,711 as follows:

Uninsured and collateral held by pledging bank's trust department not in the Village's name	\$ 497,711
---	------------

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Village is required to collateralize an amount equal to one-half of the public money in excess of FDIC insurance at each financial institution. At June 30, 2005, FDIC insurance is unlimited for non-interest bearing accounts and \$100,000 on interest bearing accounts.

The total balance in any single financial institution may at times exceed the FDIC coverage available to individual depositors. The Village is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

Credit Risk. The Village has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-low better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

**4. RECEIVABLES**

Receivables as of June 30, 2005, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable	\$ 420	\$ 3,598
Gross receipts taxes	<u>15,756</u>	<u>-</u>
	<u>\$ 16,176</u>	<u>\$ 3,598</u>

Taxes receivable for the governmental funds consists primarily of taxes collected by the collection agency in the current year but not remitted to the Village until after year-end. All governmental fund receivables are considered collectible.

**5. CAPITAL ASSETS**

*Changes in Capital Assets*-Capital asset activity for the City's primary government for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Government activities:</b>				
Capital assets not being depreciated:				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Total capital assets not being depreciated	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Capital Assets, being depreciated				
Infrastructure	6,000,000	-	-	6,000,000
Buildings	492,940	-	-	492,940
Equipment	313,546	-	-	313,546
Vehicles	<u>881,613</u>	<u>-</u>	<u>-</u>	<u>881,613</u>
Total capital assets, being depreciated	<u>7,688,099</u>	<u>-</u>	<u>-</u>	<u>7,688,099</u>
Total capital assets	<u>7,733,099</u>	<u>-</u>	<u>-</u>	<u>7,733,099</u>
Less accumulated depreciation for:				
Infrastructure	-	-	-	-
Building	260,900	-	-	260,900
Equipment	139,800	-	-	139,800
Vehicles	<u>428,001</u>	<u>-</u>	<u>-</u>	<u>428,001</u>
Total accumulated depreciation	<u>828,701</u>	<u>-</u>	<u>-</u>	<u>828,701</u>
Total other capital assets, net	<u>\$ 6,904,398</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,904,398</u>

**Business-type activities:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Water and Sewer</b>				
Capital assets not being depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Total capital assets not being depreciated	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Other Capital Assets				
Building	18,940	-	-	18,940
Equipment	5,855,194	-	-	5,855,194
Vehicles	<u>36,629</u>	<u>-</u>	<u>-</u>	<u>36,629</u>
Total capital assets at historical cost	<u>5,910,763</u>	<u>-</u>	<u>-</u>	<u>5,910,763</u>
Total capital assets	<u>5,913,763</u>	<u>-</u>	<u>-</u>	<u>5,913,763</u>
Less accumulated depreciation				
Buildings	9,000	-	-	9,000
Equipment	3,230,500	-	-	3,230,500
Vehicles	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>4,500</u>
Total capital assets being depreciated, net	<u>3,244,000</u>	<u>-</u>	<u>-</u>	<u>3,244,000</u>
Business-type activities capital assets, net	<u>\$ 2,669,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,669,763</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Solid Waste</b>				
Capital assets not being depreciated:				
Land	<u>\$ 2,080,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,080,000</u>
Total capital assets not being depreciated	<u>2,080,000</u>	<u>-</u>	<u>-</u>	<u>2,080,000</u>
Building	12,000	-	-	12,000
Equipment	51,000	-	-	51,000
Vehicles	<u>16,545</u>	<u>-</u>	<u>-</u>	<u>16,545</u>
Assets at historical cost	<u>79,545</u>	<u>-</u>	<u>-</u>	<u>79,545</u>
Total capital assets	<u>2,159,545</u>	<u>-</u>	<u>-</u>	<u>2,159,545</u>
Less accumulated depreciation				
Building	6,000	-	-	6,000
Equipment	24,000	-	-	24,000
Vehicles	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Total accumulated depreciation	<u>32,500</u>	<u>-</u>	<u>-</u>	<u>32,500</u>
Business-type activities capital assets, net	<u>\$ 2,127,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,127,045</u>



**6. LONG TERM DEBT**

A summary of activity of long term debt is as follows:

	<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/05</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Other liabilities					
Compensated absences	<u>1,379</u>	<u>-</u>	<u>-</u>	<u>1,379</u>	<u>-</u>
Total other liabilities	<u>1,379</u>	<u>-</u>	<u>-</u>	<u>1,379</u>	<u>-</u>
Total	<u>\$ 1,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,379</u>	<u>\$ -</u>

The compensated absences ultimately will be liquidated by the General Fund or Water Fund as they have been in the past.

**Proprietary Funds**

A summary of activity in long term debt is as follows:

	<u>Balance 6/30/04</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/05</u>	<u>Amounts Due Within One Year</u>
Business-type activities						
Bonds payable	\$ 1,050	\$ -	\$ -	\$ 1,050	\$ -	\$ -
Compensated absences	<u>1,697</u>	<u>-</u>	<u>-</u>	<u>1,697</u>	<u>-</u>	<u>-</u>
Long-term	<u>\$ 2,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,747</u>	<u>\$ -</u>	<u>\$ -</u>

**7. PROPERTY TAXES**

Harding County collects the Village's share of property taxes assessed. Property taxes attach as an enforceable lien on property as of January 1. Tax notices are sent by the County treasurer to property owners by November 1 of each year to be paid in whole or in two installments by November 10 and April 10 of the following year. The County collects such taxes and distributes them to the Village on a monthly basis. The Village accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenue. The Village has no means of determining the amount of delinquent taxes, and no delinquent taxes are recorded on the Village's financial records.

**8. RETIREMENT PLAN**

Plan Description. Substantially all of the Village's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (PERA) (Chapter 10, Article 11 NMSA 1978). PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504.

Funding Policy. Plan members and Village are required to contribute 9.15% of their gross salary. The

contribution requirements of plan members and Village are established in Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Village's contributions to PERA for the years ending June 30, 2005, 2004, and 2003 were \$17,889, \$18,387, and \$16,871 required contributions for each year.

## **9. POST-EMPLOYMENT BENEFITS**

The Retiree Health Care Act (Act) Chapter 10, article 7C, NMSA 1978) provides comprehensive core health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or their entities participating in the Public School Insurance Authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, the Public Employees Retirement Act, Volunteer Firefighters Act, Judicial Retirement Act or the Magistrate Retirement Act.

Eligible retirees are:(1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires the employee's NMRHCA effective date, in which event the time period for employee and employer contribution shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990, and former legislators who served at least two years.

Each participating employer makes contributions in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for medical plus basic life plan and an additional participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. The report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 401 Roma, NW, Suite 200, Albuquerque, NM 87012.

**10. INTERFUND TRANSFERS**

Interfund transfers during the year ended June 30, 2005 were as follows:

General Fund	(270,268)
Recreation Fund	231
Cemetery Fund	637
Water Fund	<u>269,400</u>
Total	<u>-</u>

**11. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts, theft, damage or destruction of assets, error and omissions, injuries to employees, and natural disasters. During the fiscal year June 30, 2004, the Village carried insurance with the New Mexico Self-Insurer's Fund for a shared premium cost. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years. The Village's policy is not an assessable policy; therefore the only risk is for the premium paid.

**12. SURETY COVERAGE**

The officials and certain employees of the Village are covered by a surety bond as required by Section 12-6-7 NMNSA 1978 Compilation and the New Mexico State Auditor Rule NMAC 2.2.

**13. BUDGETARY CONTROL**

The General Fund's actual expenses on a budgetary basis of \$191,497 exceeded budgeted expenses of \$142,404 by \$49,093.

The Fire Department Special Revenue Fund's actual expenses on a budgetary basis of \$149 exceeded budgeted expenses of \$0 by \$149.

The Recreation Special Revenue Fund's actual expenses on a budgetary basis of \$8,359 exceeded budgeted expenses of \$2,447 by \$5,912.

The Municipal Street Fund's actual expenses on a budgetary basis of \$19,672 exceeded budgeted expenses of \$19,381 by \$291.

The Water and Sewer Proprietary Fund's actual expenses on a budgetary basis of \$162,138 exceeded budgeted expenses of \$81,152 by \$80,986.

**14. SUBSEQUENT EVENT**

On September 21, 2005, the Village authorized the issuance of 2006 Series in the amount of \$50,000 maturing February 1, 2011 with an interest rate of 4.125%. The purpose of the bond is to acquire an emergency services vehicle for the use by the Village.

## VILLAGE OF ROY, NEW MEXICO

### Description of Non-Major Governmental Funds

#### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. The special revenue funds are as follows:

##### **Emergency Medical Service Fund (EMS)**

To account for the operations of emergency services. Financing is provided from the State of New Mexico Health and Environment Department Emergency Services Bureau. (Authority: NMSA 24-10A-1 through NMSA 24-10A-10).

##### **Law Enforcement Protection**

To account for funds received from the State of New Mexico for law enforcement purposes. (Authority: NMSA 29-13-3).

##### **Recreation Fund**

To account for operations of the parks and other recreation type activities. A cigarette tax and miscellaneous revenue provide financing. State Statute 7-12-1 and 7-12-15 NMSA 1978 Compilation.

##### **Cemetery Fund**

To account for the operations and maintenance of the cemetery. Financing is primarily from the sale of burial lots. (Authority: NMSA 3-10-1 & village ordinance).

##### **Reserve Bond**

The Village clerk could not provide us a description of the fund. she says the fund has not been used since she has worked for the Village over the last three years.

##### **Fire Department Bldg. Special**

It is a fund set up by the community and is used for the ambulance crew when they have to go out on an emergency. The crew accepts donations and the monies received are placed into this fund specifically for emergency medical services.

##### **Municipal Street**

To account for the one-cent gasoline tax being allocated to the Village for the explicit purpose of street repair. The authority for the allocation and setup of the fund is 7-1-6-27, NMSA, 1978 Compilation, 1989 supplement.

##### **CDBG Grant**

Accounts for the state and federal funding received for the improvement of streets in designated parts of the City.

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF ROY

COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2005

	EMS	Law Enforcement Protection	Recreation	Cemetery	Reserve Bond	Fire Department Building Special	Municipal Street Fund	CDBG Grant	Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ 15,379	\$ 5,906	\$ 10,388	\$ 4,159	\$ 8,129	\$ 570	\$ 25,693	\$ -	\$ 70,224
Accounts receivable	-	-	420	-	-	-	-	-	420
Total assets	\$ 15,379	\$ 5,906	\$ 10,808	\$ 4,159	\$ 8,129	\$ 570	\$ 25,693	\$ -	\$ 70,644
<b>LIABILITIES AND FUND BALANCE</b>									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-	-	-	-
Fund balance:									
Unreserved	15,379	5,906	10,808	4,159	8,129	570	25,693	-	70,644
Total fund balance	15,379	5,906	10,808	4,159	8,129	570	25,693	-	70,644
Total liabilities and fund balance	\$ 15,379	\$ 5,906	\$ 10,808	\$ 4,159	\$ 8,129	\$ 570	\$ 25,693	\$ -	\$ 70,644

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF ROY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	EMS	Law Enforcement Protection	Recreation	Cemetery	Reserve Bond	Fire Dept Building Special	Municipal Street Fund	CDBG Grant	Total
<b>REVENUES</b>									
State grant	\$ 11,119	\$ 20,600	\$ -	\$ -	\$ 6,970	\$ -	\$ -	\$ -	\$ 38,689
Charges for services	-	-	-	1,506	-	-	-	-	1,506
Interest income	8	7	-	-	-	-	4	-	19
Other	-	600	651	-	-	-	-	-	1,251
Total revenues	11,127	21,207	651	1,506	6,970	-	4	-	41,465
<b>EXPENDITURES</b>									
Public safety	5,839	19,150	-	-	-	-	-	99	25,088
Public works	-	-	-	58	-	149	19,672	-	19,879
Culture and recreation	-	-	8,358	-	-	-	-	-	8,358
Total expenditures	5,839	19,150	8,358	58	-	149	19,672	99	53,325
Deficiency of revenues over expenditures	5,288	2,057	(7,707)	1,448	6,970	(149)	(19,668)	(99)	(11,860)
Other financing sources (uses)	-	-	(232)	(637)	-	-	-	-	(869)
Transfers in (out)	-	-	(232)	(637)	-	-	-	-	(869)
Total other sources (uses)	-	-	(232)	(637)	-	-	-	-	(869)
Net change in fund balance	5,288	2,057	(7,939)	811	6,970	(149)	(19,668)	(99)	(12,729)
Fund balance, beginning of year	10,091	3,849	18,747	3,348	1,159	719	45,361	99	83,373
Fund balance, end of year	\$ 15,379	\$ 5,906	\$ 10,808	\$ 4,159	\$ 8,129	\$ 570	\$ 25,693	\$ -	\$ 70,644

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**EMS FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
State grant	\$ 15,300	\$ 15,300	\$ 11,119	\$ (4,181)
Interest	5	5	8	3
Total revenues	<u>15,305</u>	<u>15,305</u>	<u>11,127</u>	<u>(4,178)</u>
<b>EXPENDITURES</b>				
Public safety				
Equipment and machinery	17,500	17,500	207	17,293
Maintenance	2,000	2,000	1,299	701
Insurance	2,800	2,800	2,800	-
Rent	1,000	1,000	142	858
Supplies	2,000	2,000	19	1,981
Training	1,000	1,000	-	1,000
Miscellaneous	-	-	1,372	(1,372)
Per diem	500	500	-	500
Total expenditures	<u>26,800</u>	<u>26,800</u>	<u>5,839</u>	<u>20,961</u>
Excess (deficiency) of revenues over expenditures	<u>(11,495)</u>	<u>(11,495)</u>	<u>5,288</u>	<u>(16,783)</u>
Fund balance, beginning of year	<u>10,091</u>	<u>10,091</u>	<u>10,091</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1,404)</u>	<u>\$ (1,404)</u>	<u>\$ 15,379</u>	<u>\$ 16,783</u>

**Reconciliation of Budgetary Basis to GAAP Basis**

Net changes in fund balance	\$ 5,288
Revenue accruals	-
Expenditure accruals	-
Excess (deficiency) of revenues over expenditures - GAAP Basis	<u>\$ 5,288</u>

See independent auditors' report and accompanying notes to financial statements.



STATE OF NEW MEXICO  
VILLAGE OF ROY

LAW ENFORCEMENT PROTECTION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Services	\$ -	\$ -	\$ 600	\$ 600
Grant	20,600	20,600	20,600	-
Interest income	10	10	7	(3)
Total revenues	<u>20,610</u>	<u>20,610</u>	<u>21,207</u>	<u>597</u>
<b>EXPENDITURES</b>				
Public works				
Capital outlay	11,610	11,610	-	11,610
Contract services	2,000	2,000	(223)	2,223
Lease purchase	1,000	1,000	-	1,000
Uniforms	2,000	2,000	-	2,000
Miscellaneous	-	-	19,373	(19,373)
Supplies	2,000	2,000	-	2,000
Training	2,000	2,000	-	2,000
Total expenditures	<u>20,610</u>	<u>20,610</u>	<u>19,150</u>	<u>1,460</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>2,057</u>	<u>2,057</u>
Fund balance, beginning of year	<u>3,849</u>	<u>3,849</u>	<u>3,849</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,849</u>	<u>\$ 3,849</u>	<u>\$ 5,906</u>	<u>\$ 2,057</u>

**Reconciliation of Budgetary Basis to GAAP Basis**

Net changes in fund balance	\$ 2,057
Revenue accruals	-
Expenditure accruals	-
Excess (deficiency) of revenues over expenditures - GAAP Basis	<u>\$ 2,057</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF ROY

RECREATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Cigarette taxes	\$ 402	\$ -	\$ -	\$ -
Other	1,250	1,450	651	(799)
Total revenues	<u>1,652</u>	<u>1,450</u>	<u>651</u>	<u>(799)</u>
<b>EXPENDITURES</b>				
Culture and recreation				
Capital purchases	1,000	1,000	-	1,000
Miscellaneous	-	-	8,358	(8,358)
Supplies	1,447	1,447	-	1,447
Total expenditures	<u>2,447</u>	<u>2,447</u>	<u>8,358</u>	<u>(5,911)</u>
Excess (deficiency) of revenues over expenditures	<u>(795)</u>	<u>(997)</u>	<u>(7,707)</u>	<u>(6,710)</u>
Other financing sources (uses)				
Transfers in/out	-	-	(232)	232
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>(232)</u>	<u>232</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(795)</u>	<u>(997)</u>	<u>(7,939)</u>	<u>(6,478)</u>
Fund balance, beginning of year	<u>18,747</u>	<u>18,747</u>	<u>18,747</u>	<u>-</u>
Fund balance, end of year	<u>\$ 17,952</u>	<u>\$ 17,750</u>	<u>\$ 10,808</u>	<u>\$ (6,478)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ (7,939)	
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ (7,939)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
VILLAGE OF ROY

**CEMETERY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Other	\$ 1,200	\$ 1,200	\$ 1,506	\$ 306
Total revenues	<u>1,200</u>	<u>1,200</u>	<u>1,506</u>	<u>306</u>
<b>EXPENDITURES</b>				
Culture and recreation				
Benefits	51	51	-	51
Miscellaneous	-	-	58	(58)
Salaries	500	500	-	500
Supplies	<u>215</u>	<u>215</u>	<u>-</u>	<u>215</u>
Total expenditures	<u>766</u>	<u>766</u>	<u>58</u>	<u>708</u>
Excess (deficiency) of revenues over expenditures	<u>434</u>	<u>434</u>	<u>1,448</u>	<u>1,014</u>
Other financing sources (uses)				
Transfers in/out	<u>-</u>	<u>-</u>	<u>(637)</u>	<u>637</u>
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>(637)</u>	<u>637</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>434</u>	<u>434</u>	<u>811</u>	<u>1,651</u>
Fund balance, beginning of year	<u>3,348</u>	<u>3,348</u>	<u>3,348</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,782</u>	<u>\$ 3,782</u>	<u>\$ 4,159</u>	<u>\$ 1,651</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ 811	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ 811</u>	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**RESERVE BOND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Interest	1	1	-	(1)
Other income	-	-	6,970	6,970
<b>Total revenues</b>	<b>1</b>	<b>1</b>	<b>6,970</b>	<b>6,969</b>
<b>EXPENDITURES</b>				
Public works	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	1	1	6,970	6,969
Fund balance, beginning of year	1,159	1,159	1,159	-
Fund balance, end of year	<u>\$ 1,160</u>	<u>\$ 1,160</u>	<u>\$ 8,129</u>	<u>\$ 6,969</u>

**Reconciliation of Budgetary Basis to GAAP Basis**

Net changes in fund balance	\$ 6,970
Revenue accruals	-
Expenditure accruals	-
Excess (deficiency) of revenues over expenditures - GAAP Basis	<u>\$ 6,970</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**FIRE DEPARTMENT BUILDING SPECIAL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Miscellaneous	-	-	149	149
Total expenditures	-	-	149	149
Excess (deficiency) of revenues over expenditures	-	-	(149)	149
Fund balance, beginning of year	719	719	719	-
Fund balance, end of year	\$ 719	\$ 719	\$ 570	\$ 149
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ (149)	
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues over expenditures - GAAP Basis			\$ (149)	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**MUNICIPAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Interest	\$ 43,385	\$ 43,385	\$ 4	\$ (43,381)
Total revenues	<u>43,385</u>	<u>43,385</u>	<u>4</u>	<u>(43,381)</u>
<b>EXPENDITURES</b>				
Miscellaneous	<u>19,381</u>	<u>19,381</u>	<u>19,672</u>	<u>291</u>
Total expenditures	<u>19,381</u>	<u>19,381</u>	<u>19,672</u>	<u>291</u>
Excess (deficiency) of revenues over expenditures	<u>24,004</u>	<u>24,004</u>	<u>(19,668)</u>	<u>(43,090)</u>
Fund balance, beginning of year	<u>45,361</u>	<u>45,361</u>	<u>45,361</u>	<u>-</u>
Fund balance, end of year	<u>\$ 69,365</u>	<u>\$ 69,365</u>	<u>\$ 25,693</u>	<u>\$ (43,090)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ (19,668)	
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ (19,668)</u>	

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**CDBG**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Federal grant	\$ 425,000	\$ 425,000	\$ -	\$ (425,000)
Interest income	<u>1</u>	<u>1</u>	<u>-</u>	<u>(1)</u>
Total revenues	<u>425,001</u>	<u>425,001</u>	<u>-</u>	<u>(425,001)</u>
<b>EXPENDITURES</b>				
Miscellaneous	-	-	99	99
Utilities	<u>425,000</u>	<u>425,000</u>	<u>-</u>	<u>425,000</u>
Total expenditures	<u>425,000</u>	<u>425,000</u>	<u>99</u>	<u>425,099</u>
Excess (deficiency) of revenues over expenditures	<u>1</u>	<u>1</u>	<u>(99)</u>	<u>98</u>
Fund balance, beginning of year	<u>99</u>	<u>99</u>	<u>99</u>	<u>-</u>
Fund balance, end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 98</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ (99)	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Excess (deficiency) of revenues over expenditures - GAAP Basis			<u>\$ (99)</u>	

See independent auditors' report and accompanying notes to financial statements.

**PROPRIETARY FUNDS**



**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**PROPRIETARY FUND - WATER AND SEWER  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and service	\$ 57,000	\$ 57,000	\$ 106,908	\$ 49,908
Connection fees	500	500	-	(500)
Governmental gross receipts tax	9,300	9,300	-	(9,300)
Grants	-	-	269,400	269,400
Interest	25	25	30	5
Miscellaneous	700	700	403	(297)
Total revenues	<u>67,525</u>	<u>67,525</u>	<u>376,741</u>	<u>309,216</u>
<b>EXPENDITURES</b>				
Benefits	12,812	12,812	(957)	13,769
Other operating costs	24,275	24,275	29,736	(5,461)
Contract services	2,000	2,000	168	1,832
Capital purchases	1,000	1,000	-	1,000
Maintenance	-	-	832	(832)
Miscellaneous	3,500	3,500	56,554	(53,054)
Salaries	31,365	31,365	64,686	(33,321)
Supplies	5,500	5,500	62	5,438
Telephone	-	-	1,472	(1,472)
Travel	700	700	274	426
Utilities	-	-	8,288	(8,288)
Interest expense	-	-	1,023	(1,023)
Total expenditures	<u>81,152</u>	<u>81,152</u>	<u>162,138</u>	<u>(80,986)</u>
Excess (deficiency) of revenues over expenditures	<u>(13,627)</u>	<u>(13,627)</u>	<u>214,603</u>	<u>228,230</u>
Other financing sources/(uses)				
Transfer in	-	-	(269,400)	-
Total other financing sources/(uses)	-	-	(269,400)	-
Excess (deficiency) of revenues and other sources/(uses) over expenditures	(13,627)	(13,627)	(54,797)	228,230
Fund balance, beginning of year	<u>2,755,528</u>	<u>2,755,528</u>	<u>2,755,528</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,741,901</u>	<u>\$ 2,741,901</u>	<u>\$ 2,700,731</u>	<u>\$ 228,230</u>

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**PROPRIETARY FUND - SOLID WASTE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Sales and service	\$ 18,000	\$ 18,000	\$ -	\$ (18,000)
Gross receipts tax	<u>2,360</u>	<u>2,360</u>	<u>-</u>	<u>(2,360)</u>
Total revenues	<u>20,360</u>	<u>20,360</u>	<u>-</u>	<u>(20,360)</u>
<b>EXPENDITURES</b>				
Benefits	1,585	1,585	-	1,585
Capital outlay	-	-	-	-
Contract services	-	-	-	-
Insurance	-	-	-	-
Maintenance	-	-	-	-
Miscellaneous	1,000	1,000	7,539	(6,539)
Salaries	8,925	8,925	-	8,925
Supplies	300	300	-	300
Other operating costs	15,725	15,725	-	15,725
Travel	600	600	-	600
Utilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>28,135</u>	<u>28,135</u>	<u>7,539</u>	<u>20,596</u>
Excess (deficiency) of revenues over expenditures	<u>(7,775)</u>	<u>(7,775)</u>	<u>(7,539)</u>	<u>236</u>
Fund balance, beginning of year	<u>2,148,543</u>	<u>2,148,543</u>	<u>2,148,543</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,140,768</u>	<u>\$ 2,140,768</u>	<u>\$ 2,141,004</u>	<u>\$ 236</u>

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**SCHEDULE OF DEPOSIT ACCOUNTS  
JUNE 30, 2005**

<b>Wells Fargo</b>	<b>Balance Per</b>		
<b><u>Name of Account</u></b>	<b>Bank</b>	<b>Reconciled</b>	<b>Type</b>
	<b>06/30/05</b>	<b>Balance</b>	
General Fund	\$ 380,453	\$ 377,399	Checking
Fire	84,513	84,513	Checking
Water Construction Account	8,475	8,475	Checking
Water Construction CD	17,219	17,219	CD
Fire Department-EMS Special Fund	570	570	Checking
Law Enforcement Account	5,906	5,906	Checking
Recreation CD	10,388	10,388	CD
Cemetery Association Fund	1,516	1,516	Checking
Roy Cemetery Association CD	2,644	2,644	CD
Res Bond Interest Sinking	1,160	1,160	Checking
Water Improvement Res Bond	6,970	6,970	Checking
Emergency Medical Fund	15,379	15,379	Checking
Meter Account	6,846	6,846	Checking
Water Account	41,713	39,460	Checking
Sewer Improvement CD	13,959	13,959	CD
Total Deposited	<u>597,711</u>	<u>\$ 592,404</u>	
Less: FDIC Coverage	<u>(100,000)</u>		
Uninsured amount	497,711		
50% collateral requirement	248,856		
Pledged securities	<u>320,167</u>		
Over (under) requirement	<u>\$ 71,311</u>		

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2005**

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The following securities are pledged at Wells Fargo Bank:

<u>Description</u>	<u>CUSIP#</u>	<u>Fair Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNCT	31371LJU4	\$ 200,804	1/1/24	California
FNCL	31388WWU6	53,615	1/1/32	California
GNSF	36225BKK5	29,167	9/15/29	California
GNSF	36225BM39	<u>36,581</u>	4/15/31	California
		<u>\$ 320,167</u>		

**COMPLIANCE SECTION**

**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**

Hector H. Balderas, State Auditor  
and the Mayor and Village Council of the  
Village of Roy, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Village of Roy (the "Village") as of and for the year ended 2005, and have issued our report thereon dated January 18, 2012 in which we disclaim our opinion on the financial statements. The limitation in the scope of our audit preclude the conduct of our audit 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there are can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 bas is. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 03-01, 03-02, 03-05, 03-06, 03-05, 05-01, 05-02, 05-03, 05-04, 05-05, 05-06, 05-07, 05-08 and 05-09.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 03-01, 03-02, 03-03, 03-04, 03-05, 05-01, 05-02, 05-03, 05-04, 05-05, 05-06, 05-07, 05-08 and 05-09.

We noted certain matters that are required to be reported under Government Auditing Standards January 2007 revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items 03-03 and 03-06.

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

This report is intended solely for the information and use of the Village Council, the Village's management, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*White + Samaniego + Campbell, LLP*

El Paso, Texas  
January 18, 2012

**VILLAGE OF ROY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

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<b>Prior audit findings</b>		<b>Current status</b>
03-01	No General Ledger	Repeated
03-02	Fixed Assets	Repeated
03-03	Audit Report Filed Late	Repeated
03-04	Employee I-9s Missing	Repeated
03-05	Employee Pay Rate Documentation Missing	Repeated
03-06	Expenditures Exceed Authorized Budget	Repeated



**VILLAGE OF ROY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2005**

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**No General Ledger (03-01)**

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<b>CONDITION</b>	The Village did not maintain a complete general ledger in FY 2005. The Village was not able to reconcile the monthly fund information provided to the State Department of Finance and Administration, Local Government Division to its general ledger.
<b>CRITERIA</b>	Generally Accepted Accounting Principles (GAAP) require that an organization maintain a general ledger with account control over all assets, liabilities, fund balances, revenues and expenditures.
<b>CAUSE</b>	The Village Clerk in FY 2005 did not utilize the accounting software provided.
<b>EFFECT</b>	The Village was unable to maintain account control over its assets, liabilities, fund balances, revenues or expenditures in FY 2005.
<b>RECOMMENDATION</b>	We recommend that the Village management require the maintenance of a complete general ledger which includes all the Village accounts and that monthly information provide to the State Department of Finance and Administration, Local Government Division reconcile to the general ledger.
<b>RESPONSE</b>	The Village of Roy has setup the QuickBooks program and has now been utilizing the software for the Village of Roy books.

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**Capital Assets not compliant with DFA and GASB 34 Requirements (03-02)**

---

<b>CONDITION</b>	The Village is not compliant with the requirement of the New Mexico Administrative Code and GASB 34 paragraphs 18 through 22. For both the governmental funds and the enterprise funds, the Village provided a capital asset listing as of June 30, 2005 which included capital asset estimated acquisition costs but no documents to explain how the cost was developed. Also depreciation was estimated without regard to capital assets acquisition dates and useful lives and FY 2005 depreciation was not provided. The Village also did not provide a listing of assets acquired or deleted during the fiscal year.
<b>CRITERIA</b>	New Mexico Administrative Code 2.20.1.8 states that "Agencies should implement systematic and well documented methods for accounting for their fixed assets." To be compliant with GASB 34, capital assets must reconcile to its financial statement balances, must be presented net of accumulated depreciation expense, accumulated and current year depreciation must be identified by each major class of assets and current year depreciation expenses must be recognized as an expense in the statement of activities. As a phase 3 entity, the Village must also include as capital assets infrastructure acquired after July 1, 2003.
<b>CAUSE</b>	The Village took a capital asset inventory but did not have historical records to determine asset acquisition dates, costs and useful lives. Capital asset depreciation and values were based on unsupported estimates.

**EFFECT** Failure to maintain and update the capital asset records results in understated/or overstated capital assets in financial statement and no internal control over the capital assets owned by the Village. The Village is not compliant with the requirements of GASB 34.

**RECOMMENDATION** To maintain adequate internal control over its capital assets and to be compliant with the requirements of DFA and GASB 34, the Village needs to reconcile its capital assets inventory list to its financial statement amount, compute depreciation for FY 2005 and cumulative depreciation by each major class of asset, capitalize infrastructure acquired after July 1, 2003 and maintain accurate capital asset records.

**RESPONSE** All capital assets inventory was lost during the former office administration. We are currently working to update and maintain this list.

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**Audit Report Filed Late (03-03)**

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**CONDITION** The Village's audit report was filed late. The Village of Roy Audit Report was submitted to the State Auditor's Office in January 2012.

**CRITERIA** According to the Office of The State Auditor Rule 2.2.2., Audit reports for municipalities were due December 1, 2005.

**CAUSE** The auditors lost staff due to attrition, and the Village encountered problems with the GASB 34 reporting requirements and the Village delayed providing documents needed to complete the audit.

**EFFECT** The report was not filed in compliance with the State of New Mexico Audit Act.

**RECOMMENDATION** The Village of Roy should require its auditors to finish the audits and file the audit reports in a timely manner. The Village should also have for the audit entrance conference its financial statements and reports provided to the DFA reconciled to its accounting.

**RESPONSE** The Village of Roy has requested that the audit reports be submitted timely, however due to incidents with both the Village and the auditor this finding was repeated for this year.

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**Employee Form I-9s Missing (03-04)**

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**CONDITION** Three out of six employees tested did not have the required I-9 form present in their personnel files.

**CRITERIA** The U. S. Department of Justice, Immigration and Naturalization Service requires all employers to complete an I-9 form for each employee hired.

**CAUSE** Management has not required a completed Form I-9 for each employee hired by the Village.

**EFFECT** The Village is not in compliance with U. S. immigration law.

**RECOMMENDATION** We recommend that the Village require all personnel to have a completed I-9 form in their personnel files.

**RESPONSE** The new Village management is in the process of implementing procedures to correct this finding.

**Employee Pay Rate Documentation Missing (03-05)**

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**CONDITION** Three out of six employees tested did not have documentation of their authorized pay rates present in their personnel files.

**CRITERIA** Employers must document the authorized pay rates for each employee.

**CAUSE** Management has not required documentation of the authorized pay rates.

**EFFECT** Employee pay rates could be questioned, and the Village would be vulnerable.

**RECOMMENDATION** We recommend that the Village document the Board authorized pay rate for all employees, and that any future changes in pay rates be documented and approved. There should also be some indication that the employee agrees to his or her pay rate.

**RESPONSE** The new Village management is in the process of implementing procedures to correct this finding.

**Expenses in Excess of Budget (03-06)**

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**CONDITION** Section 6-6-6 of the New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget.

During the fiscal year ended June 30, 2005, the Village remitted payments for goods and services in excess of the adopted budget as follows:

	<u>Budgeted</u> <u>Expenditures</u>	<u>Actual</u> <u>Expenditures</u>	<u>Excess</u> <u>Expenditures</u>
General Fund	\$ 142,404	\$ 191,497	\$ (49,093)
Fire Department			
Special Revenue Fund	-	149	(149)
Municipal Street Fund	19,381	19,672	(291)
Recreation Fund	2,447	8,359	(5,912)
Water and Sewer	81,152	162,138	(80,986)

**CRITERIA** New Mexico State Statutes Section 6-6-6 states that all approved budgets shall bind all officials and governing authorities and no official can pay an claims in excess of the approved budget. County Officials and governing authorities have the obligation to follow applicable state statutes.

**CAUSE** The Village did not have controls in place to ensure that it is not expending funds in excess of approved budget amounts.

**EFFECT** Non-compliance with New Mexico state statutes subjects Village officials and personnel to punishment as defined by state statutes.

**RECOMMENDATION** Accounting personnel should closely monitor expenditures and budget restrictions, if a change is needed to the budget, accounting personnel should ensure that such changes are presented to the Villages Board of Trustees's and the New Mexico Department of Finance and Administration (DFA). If no changes in the budget are deemed necessary, then no payments should be remitted that would cause the total expenditures to exceed the legal budget.

**RESPONSE** Schedules will be completed to indicate variances between the Budget and actual amounts. These spreadsheet schedules will ensure that the Villages's actual line item revenues and/or expenditures do not supersede budgetary authority. The Finance Department will be responsible for overseeing and notifying the Village which exceed budgetary authority; so that the proper budget resolution and revision can be submitted to County Commissioners and DFA for approval prior to year-end.

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**Accounting for Grants (05-01)**

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**CONDITION** There was no system in place to record revenues and expenses accrued and to agree the amounts submitted for grant reimbursement to the amounts recorded in the cash basis general ledger listing. The Village was receiving funding from granting agencies but not preparing reports to reconcile the data to the general ledger.

**CRITERIA** Generally accepted accounting principles for reimbursable type grants require that revenues equal expenses for each accounting period. This is achieved through the recording of grant receivables or deferred revenue, as appropriate.

**CAUSE** The Village does not have a procedure in place to reconcile expenditures charged to the grants to the general ledger.

**EFFECT** Without a system in place to agree reimbursement requests to the general ledger, the Village's accounting records will not reflect an accurate presentation of grant funds received and spent. In addition, errors in accounting for grants may remain undetected and the reports submitted to granting agencies may not be correct or agree to the Village's general ledger transaction listing report.

**RECOMMENDATION** Grant reimbursement requests should be agreed to and reconciled to the general ledger transactions listing, prior to submission, and supervisory review should be used to ensure that grants accounted for are recorded properly. Also, the records should show amounts owed by the granting agencies and amounts owed to vendors and contractors. If the grant is received in advance, the Village should record the amount received as deferred revenue. Reconciliations to the general should be prepared at least monthly to ensure proper recording of transactions.

**RESPONSE** City Management and the Finance Department concur with the finding. The Village will utilize a spreadsheet to keep track of all revenues and expenditures by grant source.

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**Lack of Separation of Duties (05-02)**

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<b>CONDITION</b>	The same person who records cash receipts, also reconciles the general ledger for all bank accounts, prepares certain deposit slips, transfers funds between accounts, prepares journal entries to correct errors in posting of all transactions and posts the budget on the system. There are no controls in place to ensure separation of duties among employees.
<b>CRITERIA</b>	A strong system of controls required separation between custody of assets, recording of transactions and authorization of transactions. If a small number of employees does not allow for proper separation of duties, supervisory review can be used to compensate for the lack of separation of duties.
<b>CAUSE</b>	Separation of duties over cash receipts and disbursements is difficult to achieve in a small office environment.
<b>EFFECT</b>	Theft or defalcation could occur and remain undetected when proper controls are not in place over cash receipts and disbursements.
<b>RECOMMENDATION</b>	<p>Although the Village's office staff is small, steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.</p> <p>Internal control is most effective when the bank reconciliation is prepared by someone not responsible for entries in the cash receipt. The person that posts and generates payroll checks should not be the same person that adds new employees to the system and the same person that reconciles payroll cash transactions. Also, the person that posts and reconciles transactions should not be the same person that corrects his or her own errors. Because this difficult to implement with an accounting department of just a few individuals, all of whom are involved in day-to-day record keeping, test reconciliation's should be made periodically by management, who, in addition, should review and approve, in writing, all reconciliation's which he or she does not prepare personally.</p>
<b>RESPONSE</b>	The Village concurs with the finding. Village Management is aware that the fundamental element of internal control is the separation of duties so that an individual cannot perpetuate and conceal errors and irregularities in the normal course of his/her duties. The Village will utilize the Village Council as the main supervisory control.

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**Accounts Payable (05-03)**

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<b>CONDITION</b>	An aging of accounts payable is not being prepared periodically. The Village was unable to provide the auditors any type of aging due to the loss of the accounting software. The accounting department does not maintain a list of invoices outstanding by vendor nor does it reconcile the list with vendor statements periodically. The Village does not record payable in any type of subsidiary ledger that would flow to a general ledger.
<b>CRITERIA</b>	There were no procedures in place to ensure the recording of the payables in a separate subsidiary ledger.

**CAUSE** Payables are difficult to record when the Village maintains a cash basis in Quickbooks.

**EFFECT** The Village is relying on third party statements to determine the balance of some major payables. Consequently, the Village is unable to readily identify outstanding invoices and accounts payable information, unable to prevent incorrect charges on timely basis, and unable to provide management with accurate interim reports and cash flow analysis.

**RECOMMENDATION** The Village should establish a separate subsidiary ledger and record all approved invoices from vendors as they are received. Balances should be analyzed on a monthly basis with all reconciling items noted and discrepancies resolved with the vendors. Timely analysis can help prevent incorrect charges, and should result in more accurate interim reports and cash flow analysis for management's use.

**RESPONSE** The new Village management is in the process of implementing procedures to correct this finding.

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**Compensated Absences (05-04)**

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**CONDITION** Detail was not provided for test work of compensated absences (sick and annual leave) as of June 30, 2005.

**CRITERIA** According to NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

**CAUSE** General ledger detail was loss due to failure of the accounting software (03-01).

**EFFECT** Employees of the Village could be credited with too little or too much leave according to what they're entitled to based on the Village's personnel policies and procedures. Also, employee may be unaware of the number of days' leave they actually have accrued.

**RECOMMENDATION** The Village should recalculate compensated absences for all employees as soon as possible.

**RESPONSE** The new Village management concurs with the finding. The Village has developed a system for backing up accounting data. Multiple backs ups are being implemented in the event of a failure. The Village has recalculated compensated absences for all employees.

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**Prior Year Adjustments (05-05)**

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<b>CONDITION</b>	The Village did not record the auditing adjusting entries from 2004, causing fund balance and net assets accounts to be misstated.
<b>CRITERIA</b>	The Governmental Accounting Standards Board, Codification of Governmental Accounting and Financial Reporting Standards (GASB), Section 1100 requires governments to prepare financial statements on the modified accrual basis for governmental type funds and full accrual basis for enterprise type funds.
<b>CAUSE</b>	The Village did not record 2004 audit adjustments entries.
<b>EFFECT</b>	Significant audit adjustments were required in 2004 to reconcile beginning fund balance and net assets to the 2004 ending balances.
<b>RECOMMENDATION</b>	The Village must implement a control system in accordance with NMAC 6.20.2.22 C in order to post all prior year adjustments.
<b>RESPONSE</b>	The new Village management concurs with the finding. The Village has implemented a control system to post any prior year adjustments.

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**Tracking of Federal and State Awards (05-06)**

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<b>CONDITION</b>	While performing the audit and reviewing the grant activity for the year ended June 30, 2005, it was observed that the Village does not track its grants accurately, nor distinguish those awards that were federally funded and those that were state funded.
<b>CRITERIA</b>	OMB Circular A-133 Subpart C states:  The auditee shall:  (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.  (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
<b>CAUSE</b>	The process for capturing federal awards and contributed federal funds has gradually relaxed over time and it is no longer fully effective.

**EFFECT** Village personnel could unknowingly not be following the compliance requirements on state or federal money received due to misidentifying the source of the funds.

The potential exists for federal awards to escape inclusion in the Single Audit procedures. This Village runs the risk of being out of compliance with OMB Circular A-133 Subpart C.

**RECOMMENDATION** The process for tracking federal grants should be improved to ensure the source funds for all grants are properly identified and recorded as such. This should include the CFDA number when applicable. As new grants are obtained, a determination should be made at the inception of the grant to determine its source.

It is recommended that a process be put in place to require all departments that receive contributed property be required to notify the finance department of the acquisition at the time of the contribution so it can be properly recorded in the accounting system and recorded on the schedule of federal awards, if applicable.

**RESPONSE** The new Village management concurs with the finding. The new Village clerk will enable the Village to properly record transactions and generate financial records to provide management with the necessary tools to make timely decisions and comply with any reporting compliance requirements.

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**Accounts Receivable (05-07)**

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**CONDITION** An aging of accounts receivable is not being prepared periodically. Accounts receivable are not aged by days or months outstanding. The accounting department does not maintain a list of deposits outstanding by grantor/public nor does it reconcile the list with depositor's statements periodically. The Village does not record receivables in any type of subsidiary ledger that would flow to a general ledger.

**CRITERIA** To ensure accuracy and reliability of the Village's records, expected deposits should be recorded as receivables in a separate subsidiary ledger when received and reconciled with the grantor's/public's statements periodically.

**CAUSE** There were no procedures in place to ensure the recording of the receivables in a separate subsidiary ledger.

**EFFECT** The Village is unable to readily identify outstanding deposits and accounts receivable information, unable to record revenue in the correct period, due to receivables not being recorded, and unable to provide management with accurate interim reports and cash flow analysis.

**RECOMMENDATION** The Village should establish a separate subsidiary ledger and record all expected deposits that are received. Balances should be analyzed on a monthly basis with all reconciling items noted and discrepancies resolved. Timely analysis should result in more accurate interim reports and cash flow analysis for management's use.



**RESPONSE** The new Village management concurs with the finding. Due to the system failure and lost data, the Village was unable to readily identify outstanding deposits and accounts receivable information as well as unable to record revenue in the correct period, separate subsidiary ledger and record all expected deposits that are received.

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**Lack of supporting documentation (05-08)**

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**CONDITION** During test work of the Village expenses, it was noted that supporting documentation for four of the twenty five sampled selections were unable to be provided by the Village personnel. The total amount of the expenses totaled \$42,373.

**CRITERIA** The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance.

**CAUSE** Inadequate accounting system and employees lack of proper training and supervision.

**EFFECT** The Village does not have proper records to determine if they are properly recording expenses.

**RECOMMENDATION** The Village should retain supporting documentation for all Expenses.

**RESPONSE** The new City management concurs with the finding. A new Village Clerk has been hired and will make sure that all supporting information is available in the future.

**Lack of Current Minutes (05-9)**

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<b>CONDITION</b>	During the testwork, it was noted that the most current minutes provided by the Village were for fiscal year 2007.
<b>CRITERIA</b>	"SAS 150 9a-b states: ""The procedures to identify relevant events that may require adjustment of, or disclosure in, the financial statements would be performed as near as practicable to the date of the auditors' report and ordinarily include the following: a. reviewing procedures which management has established to ensure that relevant events are identified; b. reading minutes of the meetings of shareholders, the board of directors and audit and executive committees held after the period end and enquiring about matters discussed at meetings for which minutes are not yet available;"
<b>CAUSE</b>	Lack of minutes due to large turnover and no standard policy to implement storage of documents.
<b>EFFECT</b>	The Village does not have all minutes available to verify that policies and procedures as well as grants, expenses, reimbursements, subsequent events, and other such important information is being reported and followed.
<b>RECOMMENDATION</b>	The Village should retain minutes of the board for every fiscal year. They should be scanned and kept in a safe electronic format for minutes older than five years.
<b>RESPONSE</b>	The new Village management is in the process of implementing procedures to correct this finding.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**FINANCIAL STATEMENT PREPARATION  
FOR THE YEAR ENDED JUNE 30, 2005**

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The financial statements of the Village of Roy as of, and for the year ended, 2005 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible Village personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2005**

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An exit conference was conducted August 31, 2011 in a closed meeting of the Village of Roy pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of San Jon

Matthew Baca  
Stella Devers

Mayor  
Clerk - Treasurer

White + Samaniego + Campbell, LLP

Cheryl Hutton-Tellez

Staff Auditor