

**State of New Mexico
Village of Roy**

**Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2013
and Independent Auditors' Report**

**STATE OF NEW MEXICO
VILLAGE OF ROY**

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VILLAGE OF ROY**

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**STATE OF NEW MEXICO
VILLAGE OF ROY**

**DIRECTORY OF OFFICIALS
JUNE 30, 2013**

Board of Trustees

Matthew Baca
Donna Sue Milson
Alicia Tompkins
Dorothy Hazen
Sinforosa Lovato

Mayor
Mayor Pro Tem
Trustee
Trustee
Trustee

Other Officials

Stella Devers
Chandra Gonzales

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

Report on Financial Statements

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, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Village of Roy's 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's nonmajor governmental, and the budgetary comparisons for the major capital project funds, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

At the commencement of fieldwork, the Village's accounting software failed and all subsidiary 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 subsidiary 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 position account. In addition, 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 also unable to obtain written representations from management of the Village concerning transactions related to the fiscal year 2013, which took place under substantially different management, as required by generally accepted auditing standards. Furthermore, we were unable to examine sufficient competent evidential matter to determine the collectibility of receivables of all funds. Moreover, we were unable to obtain detail for various subsidiary ledgers

and audit that detail and ledgers. We were unable to satisfy ourselves due to the lack of detail, and lack of all subsidiary ledgers by means of other auditing procedures.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The combining and individual fund financial statements, and budgetary comparisons are presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described above, we were unable to obtain detail subsidiary ledgers and apply other auditing procedures, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2014 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* in considering the Village's internal control over financial reporting and compliance.

White & Samaniego & Campbell, LLP

El Paso, Texas
May 19, 2014

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VILLAGE OF ROY**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Primary Government Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 248,348	\$ 12,337	\$ 260,685
Receivables, net of allowance for uncollectibles	<u>218,939</u>	<u>3,597</u>	<u>222,536</u>
Total current assets	467,287	15,934	483,221
Noncurrent assets			
Restricted assets - cash	-	3,474	3,474
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>4,800,282</u>	<u>11,704,680</u>
Total assets	<u>\$ 7,371,685</u>	<u>\$ 4,816,216</u>	<u>\$ 12,187,901</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ -	\$ 4,286	\$ 4,286
Total current liabilities	-	4,286	4,286
Long-term liabilities			
Customer deposits	-	14,925	14,925
Total noncurrent liabilities	-	14,925	14,925
Total liabilities	-	19,211	19,211
NET POSITION			
Net investment in capital assets	6,904,398	4,796,808	11,701,206
Restricted for			
Special revenues	195,699	-	195,699
Business type activities	-	14,925	14,925
Unassigned	<u>271,588</u>	<u>(14,728)</u>	<u>256,860</u>
Total net position	<u>\$ 7,371,685</u>	<u>\$ 4,797,005</u>	<u>\$ 12,168,690</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, 2013

Functions/Programs:	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 105,668	\$ 17,881	\$ 34,821	\$ (52,966)	\$ -	\$ (52,966)
Public safety	46,435	-	68,811	22,376	-	22,376
Public works	335,394	-	306,210	(29,184)	-	(29,184)
Culture and recreation	13,011	-	-	(13,011)	-	(13,011)
Total governmental activities	500,508	17,881	409,842	(72,785)	-	(72,785)
Business-type activities:						
Water and sewer	76,096	58,386	19,411	-	1,701	1,701
Solid waste	51,073	50,840	-	-	(233)	(233)
Total business-type activities	127,169	109,226	19,411	-	1,468	1,468
Total primary government	\$ 627,677	\$ 127,107	\$ 429,253	(72,785)	1,468	(71,317)

General Revenues:

Taxes:					
Gross receipts	55,825	-	-	55,825	55,825
Other taxes	4,319	-	-	4,319	4,319
Gasoline	5,575	-	-	5,575	5,575
Property	3,118	-	-	3,118	3,118
Small cities assistance	45,897	-	-	45,897	45,897
Miscellaneous	54,346	-	-	54,346	54,346
Interest income	908	-	-	908	908
Transfers in (out)	(233)	-	233	-	-
Total general revenues and transfers	169,755	-	233	169,988	169,988
Change in net position	96,970	1,701	-	98,671	98,671
Net position, beginning of year	7,274,715	4,795,304	-	12,070,019	12,070,019
Net position, end of year	7,371,685	4,797,005	-	12,168,690	12,168,690

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

**STATE OF NEW MEXICO
VILLAGE OF ROY**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Fire Fund	Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 52,649	\$ 83,856	\$ 111,843	\$ 248,348
Receivables, net of allowance for uncollectibles	<u>218,939</u>	<u>-</u>	<u>-</u>	<u>218,939</u>
Total assets	<u>\$ 271,588</u>	<u>\$ 83,856</u>	<u>\$ 111,843</u>	<u>\$ 467,287</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Current liabilities				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:				
Unassigned reported in:				
General fund	271,588	-	-	271,588
Restricted for special revenue funds	<u>-</u>	<u>83,856</u>	<u>111,843</u>	<u>195,699</u>
Total fund balances	<u>271,588</u>	<u>83,856</u>	<u>111,843</u>	<u>467,287</u>
Total liabilities and fund balances	<u>\$ 271,588</u>	<u>\$ 83,856</u>	<u>\$ 111,843</u>	<u>\$ 467,287</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 POSITION
JUNE 30, 2013**

Total fund balances for governmental funds	\$ 467,287
Total net position reported for governmental activities in the statement of net position 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>
Net position of governmental activities	<u>\$ 7,371,685</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, 2013

	General Fund	Fire Fund	Non-Major Funds	Total Governmental Funds
REVENUES:				
Taxes:				
Gross receipt taxes	\$ 53,231	\$ -	\$ 2,594	\$ 55,825
Gas taxes	571	-	5,004	5,575
Property taxes	3,118	-	-	3,118
Other taxes	4,319	-	-	4,319
State grants	-	68,811	340,044	408,855
Small city assistance	45,897	-	-	45,897
Charges for services	2,725	-	15,156	17,881
Licenses and permits	987	-	-	987
Interest income	908	-	-	908
Miscellaneous	29,851	-	24,495	54,346
	<u>141,607</u>	<u>68,811</u>	<u>387,293</u>	<u>597,711</u>
Total revenues				
EXPENDITURES:				
Current:				
General government	105,668	-	-	105,668
Public safety	-	44,920	1,515	46,435
Public works	8,149	-	327,245	335,394
Culture and recreation	13,011	-	-	13,011
	<u>126,828</u>	<u>44,920</u>	<u>328,760</u>	<u>500,508</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>14,779</u>	<u>23,891</u>	<u>58,533</u>	<u>97,203</u>
Other financing sources (uses)				
Transfers in	-	-	1,218	1,218
Transfers out	(1,451)	-	-	(1,451)
	<u>(1,451)</u>	<u>-</u>	<u>1,218</u>	<u>(233)</u>
Total other sources (uses)				
Net change in fund balance	13,328	23,891	59,751	96,970
Fund balance beginning of year	<u>258,260</u>	<u>59,965</u>	<u>52,092</u>	<u>370,317</u>
Fund balance end of year	<u>\$ 271,588</u>	<u>\$ 83,856</u>	<u>\$ 111,843</u>	<u>\$ 467,287</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, 2013**

Net change in fund balances - total governmental funds \$ 96,970

The changes in net position reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their 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	<u>-</u>
	<u>-</u>

Change in net Position of governmental activities \$ 96,970

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Taxes:				
Gross receipts	\$ 60,000	\$ 60,000	\$ 53,231	\$ (6,769)
Property tax	3,261	3,261	3,118	(143)
Gas tax	500	500	571	71
Other tax	4,500	4,500	4,319	(181)
Charges for services	6,150	6,150	2,725	(3,425)
Other license and permits	1,562	1,562	987	(575)
Small cities assistance	35,700	35,700	45,897	10,197
Interest income	1,500	1,500	908	(592)
Miscellaneous	<u>54,124</u>	<u>54,124</u>	<u>29,851</u>	<u>(24,273)</u>
Total revenues	167,297	167,297	141,607	(25,690)
EXPENDITURES				
General government				
General government	102,737	106,860	105,668	1,192
Public works	13,024	8,901	8,149	752
Culture and recreation	<u>18,474</u>	<u>18,474</u>	<u>13,011</u>	<u>5,463</u>
Total expenditures	<u>134,235</u>	<u>134,235</u>	<u>126,828</u>	<u>7,407</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 33,062</u>	<u>\$ 33,062</u>	<u>\$ 14,779</u>	<u>\$ (18,283)</u>

(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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Other financing uses				
Transfers out	\$ -	\$ -	\$ (1,451)	\$ (1,451)
Total other financing other uses	-	-	(1,451)	(1,451)
Net change in fund balance	33,062	33,062	13,328	(19,734)
Fund balance beginning of year	258,260	258,260	258,260	-
Fund balance end of year	<u>\$ 291,322</u>	<u>\$ 291,322</u>	<u>\$ 271,588</u>	<u>\$ (19,734)</u>

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance budgetary basis	\$ 13,328
Revenue accruals	-
Expenditure accruals	-
Net change in fund balance - GAAP Basis	<u>\$ 13,328</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 - BUDGET AND ACTUAL ON BUDGETARY BASIS
SPECIAL REVENUE FUND - FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Fire allotment	\$ 65,000	\$ 65,000	\$ 68,811	\$ 3,811
Total revenues	65,000	65,000	68,811	3,811
EXPENDITURES				
Public safety	92,017	92,017	44,920	47,097
Total expenditures	92,017	92,017	44,920	47,097
Net change in fund balance	(27,017)	(27,017)	23,891	50,908
Fund balance beginning of year	59,965	59,965	59,965	-
Fund balance end of year	<u>\$ 32,948</u>	<u>\$ 32,948</u>	<u>\$ 83,856</u>	<u>\$ 50,908</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance			\$ 23,891	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			<u>\$ 23,891</u>	

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

**STATE OF NEW MEXICO
VILLAGE OF ROY**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

	Water and Sewer	Solid Waste	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 12,337	\$ -	\$ 12,337
Accounts receivable, net	<u>3,597</u>	<u>-</u>	<u>3,597</u>
Total current assets	15,934	-	15,934
Noncurrent assets			
Customer deposits	3,474	-	3,474
Capital assets	5,913,763	2,159,545	8,073,308
Less accumulated depreciation	<u>(3,244,000)</u>	<u>(32,500)</u>	<u>(3,276,500)</u>
Total noncurrent assets	<u>2,673,237</u>	<u>2,127,045</u>	<u>4,800,282</u>
Total assets	<u>\$ 2,689,171</u>	<u>\$ 2,127,045</u>	<u>\$ 4,816,216</u>
LIABILITIES			
Current liabilities			
Accounts payable	<u>\$ 4,286</u>	<u>\$ -</u>	<u>\$ 4,286</u>
Total current liabilities	4,286	-	4,286
Noncurrent liabilities			
Customer deposits	<u>14,925</u>	<u>-</u>	<u>14,925</u>
Total noncurrent liabilities	<u>14,925</u>	<u>-</u>	<u>14,925</u>
Total liabilities	<u>19,211</u>	<u>-</u>	<u>19,211</u>
NET POSITION			
Net investment in capital assets	2,669,763	2,127,045	4,796,808
Restricted for customer deposits	14,925	-	14,925
Unrestricted	<u>(14,728)</u>	<u>-</u>	<u>(14,728)</u>
Total net position	<u>\$ 2,669,960</u>	<u>\$ 2,127,045</u>	<u>\$ 4,797,005</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, 2013**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues			
Sales and service	\$ 58,386	\$ 50,840	\$ 109,226
Total operating revenues	58,386	50,840	109,226
Operating expenses			
Miscellaneous	76,096	51,073	127,169
Total operating expenses	76,096	51,073	127,169
Operating income (loss)	(17,710)	(233)	(17,943)
Nonoperating revenues (expenses)			
Grants	19,411	-	19,411
Total nonoperating revenues (expenses)	19,411	-	19,411
Change in net position	1,701	(233)	1,468
Other financing sources			
Transfers in/out	-	233	233
Total other sources	-	233	233
Net change in net position	1,701	-	1,701
Net position, beginning of year	2,668,259	2,127,045	4,795,304
Net position, end of year	\$ 2,669,960	\$ 2,127,045	\$ 4,797,005

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, 2013**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 58,386	\$ 50,840	\$ 109,226
Cash payments to suppliers and employees	<u>(76,096)</u>	<u>(51,073)</u>	<u>(127,169)</u>
Net cash used in operating activities	(17,710)	(233)	(17,943)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating transfers, net	-	233	233
Grants	<u>19,411</u>	<u>-</u>	<u>19,411</u>
Net cash provided by non-capital financing activities	<u>19,411</u>	<u>233</u>	<u>19,644</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,701	-	1,701
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>14,110</u>	<u>-</u>	<u>14,110</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 15,811</u>	<u>\$ -</u>	<u>\$ 15,811</u>
RECONCILIATION TO CASH AND CASH EQUIVALENT AS REPORTED ON THE STATEMENT OF NET POSITION			
Cash and cash equivalents	\$ 12,337	\$ -	\$ 12,337
Restricted cash	<u>3,474</u>	<u>-</u>	<u>3,474</u>
	<u>\$ 15,811</u>	<u>\$ -</u>	<u>\$ 15,811</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:			
Operating loss	\$ (17,710)	\$ (233)	\$ (17,943)
Adjustment to reconcile operating loss to net cash used in operating activities:			
Changes in assets and liabilities			
Accounts receivable	-	-	-
Accounts payable	-	-	-
Accrued interest	-	-	-
Compensated absences	-	-	-
Customer deposits	<u>-</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (17,710)</u>	<u>\$ (233)</u>	<u>\$ (17,943)</u>

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, 2013**

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, 2013.

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 position and the statement of changes in net position) 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 Position 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 Position. 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 Position

The government-wide and business-type activities fund financial statements utilize a net position 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.

Net investment in capital assets

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

Restricted net position

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

Unrestricted net position

This category reflects net position 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 March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. 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 March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. 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 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. 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 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. 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, 2013, the Village's bank balance total of \$264,160 was exposed to no credit risk.

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, 2013, FDIC insurance is unlimited for non-interest bearing accounts and \$250,000 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, 2013, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable	\$ -	\$ 3,597
Gross receipts taxes	<u>218,939</u>	<u>-</u>
	<u>\$ 218,939</u>	<u>\$ 3,597</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 Village's primary government for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets not being depreciated:				
Land	\$ 45,000	\$ -	\$ -	\$ 45,000
Total capital assets not being depreciated	45,000	-	-	45,000
Capital Assets, being depreciated				
Infrastructure	6,000,000	-	-	6,000,000
Buildings	492,940	-	-	492,940
Equipment	313,546	-	-	313,546
Vehicles	881,613	-	-	881,613
Total capital assets, being depreciated	7,688,099	-	-	7,688,099
Total capital assets	7,733,099	-	-	7,733,099
Less accumulated depreciation for:				
Infrastructure	-	-	-	-
Building	260,900	-	-	260,900
Equipment	139,800	-	-	139,800
Vehicles	428,001	-	-	428,001
Total accumulated depreciation	828,701	-	-	828,701
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>
Water and Sewer				
Capital assets not being depreciated:				
Land	\$ 3,000	\$ -	\$ -	\$ 3,000
Total capital assets not being depreciated	3,000	-	-	3,000
Other Capital Assets				
Building	18,940	-	-	18,940
Equipment	5,855,194	-	-	5,855,194
Vehicles	36,629	-	-	36,629
Total capital assets at historical cost	5,910,763	-	-	5,910,763
Total capital assets	5,913,763	-	-	5,913,763
Less accumulated depreciation				
Buildings	9,000	-	-	9,000
Equipment	3,230,500	-	-	3,230,500
Vehicles	4,500	-	-	4,500
Total capital assets being depreciated, net	3,244,000	-	-	3,244,000
Business-type activities capital assets, net	\$ 2,669,763	\$ -	\$ -	\$ 2,669,763
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Solid Waste				
Capital assets not being depreciated:				
Land	\$ 2,080,000	\$ -	\$ -	\$ 2,080,000
Total capital assets not being depreciated	2,080,000	-	-	2,080,000
Building	12,000	-	-	12,000
Equipment	51,000	-	-	51,000
Vehicles	16,545	-	-	16,545
Assets at historical cost	79,545	-	-	79,545
Total capital assets	2,159,545	-	-	2,159,545
Less accumulated depreciation				
Building	6,000	-	-	6,000
Equipment	24,000	-	-	24,000
Vehicles	2,500	-	-	2,500
Total accumulated depreciation	32,500	-	-	32,500
Business-type activities capital assets, net	\$ 2,127,045	\$ -	\$ -	\$ 2,127,045

6. LONG TERM DEBT

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

	<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/13</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Other liabilities					
Compensated absences	\$ -	\$ -	\$ -	\$ -	\$ -
Total other liabilities	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -

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

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 (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 9.15% of their gross salary. The Village is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the Village are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$8,878, \$7,450, and \$10,000, respectively, which equal the amount of the required contributions for each fiscal year.

9. POST-EMPLOYMENT BENEFITS

Plan Description. The Village contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

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

to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

10. INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2013 were as follows:

	<u>Purpose</u>	
General Fund	Operating expenses	\$ (1,451)
Municipal Street	Operating expenses	1,218
Solid Waste Fund	Operating expenses	<u>233</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, 2013, 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.

SUPPLEMENTARY INFORMATION

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).

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).

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.

Grants

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

STATE OF NEW MEXICO
VILLAGE OF ROY

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	EMS	Recreation	Cemetery	Municipal Street Fund	Grants Fund	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ 24,498	\$ 26,606	\$ -	\$ 60,739	\$ 111,843
Total assets	\$ -	\$ 24,498	\$ 26,606	\$ -	\$ 60,739	\$ 111,843
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-
Fund balance:						
Unreserved	-	24,498	26,606	-	60,739	111,843
Total fund balance	-	24,498	26,606	-	60,739	111,843
Total liabilities and fund balance	\$ -	\$ 24,498	\$ 26,606	\$ -	\$ 60,739	\$ 111,843

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, 2013

	EMS	Recreation	Cemetery	Municipal Street Fund	Grants Fund	Total
REVENUES						
Gas tax	\$ -	\$ -	\$ -	\$ 5,004	\$ -	\$ 5,004
State grant	1,500	-	-	-	338,544	340,044
Gross receipts tax	-	-	-	2,594	-	2,594
Charges for services	-	-	15,156	-	-	15,156
Miscellaneous	-	12,276	-	12,219	-	24,495
Total revenues	1,500	12,276	15,156	19,817	338,544	387,293
EXPENDITURES						
Public safety	1,515	-	-	-	-	1,515
Public works	-	-	-	21,035	306,210	327,245
Total expenditures	1,515	-	-	21,035	306,210	328,760
Excess (Deficiency) of revenues over expenditures	(15)	12,276	15,156	(1,218)	32,334	58,533
Other financing sources (uses)						
Transfers in (out)	-	-	-	1,218	-	1,218
Total other sources (uses)	-	-	-	1,218	-	1,218
Net change in fund balance	(15)	12,276	15,156	-	32,334	59,751
Fund balance, beginning of year	15	12,222	11,450	-	28,405	52,092
Fund balance, end of year	\$ -	\$ 24,498	\$ 26,606	\$ -	\$ 60,739	\$ 111,843

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
State grant	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Total revenues	1,500	1,500	1,500	-
EXPENDITURES				
Public safety	1,515	1,515	1,515	-
Total expenditures	1,515	1,515	1,515	-
Change in fund balance	(15)	(15)	(15)	-
Fund balance, beginning of year	15	15	15	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ (15)	
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues over expenditures - GAAP Basis			\$ (15)	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 9,000	\$ 9,000	\$ 12,276	\$ 3,276
Total revenues	9,000	9,000	12,276	3,276
EXPENDITURES				
Culture and recreation	6,000	6,000	-	6,000
Total expenditures	6,000	6,000	-	6,000
Net change in fund balance	3,000	3,000	12,276	9,276
Fund balance, beginning of year	12,222	12,222	12,222	-
Fund balance, end of year	<u>\$ 15,222</u>	<u>\$ 15,222</u>	<u>\$ 24,498</u>	<u>\$ 9,276</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 12,276	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			<u>\$ 12,276</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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Other	\$ 500	\$ 500	\$ 15,156	\$ 14,656
Total revenues	500	500	15,156	14,656
EXPENDITURES				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	500	500	15,156	14,656
Fund balance, beginning of year	11,450	11,450	11,450	-
Fund balance, end of year	<u>\$ 11,950</u>	<u>\$ 11,950</u>	<u>\$ 26,606</u>	<u>\$ 14,656</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 15,156	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			<u>\$ 15,156</u>	

**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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Gross receipts tax	\$ 6,000	\$ 6,000	\$ 2,594	\$ (3,406)
Gas tax	3,000	3,000	5,004	2,004
Other	2,750	12,035	12,219	184
Total revenues	11,750	21,035	19,817	(1,218)
EXPENDITURES				
Public works	11,400	21,035	21,035	-
Total expenditures	11,400	21,035	21,035	-
Excess (deficiency) of revenues and other sources/(uses) over expenditures	350	-	(1,218)	(1,218)
Other financing sources/(uses)				
Transfers in	-	-	1,218	1,218
Total other financing sources/(uses)	-	-	1,218	1,218
Net change in fund balance	350	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ 350	\$ -	\$ -	\$ -
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ -	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			\$ -	

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

**STATE OF NEW MEXICO
VILLAGE OF ROY**

**GRANTS
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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
State grant	\$ 639,691	\$ 639,691	\$ 338,544	\$ (301,147)
Total revenues	639,691	639,691	338,544	(301,147)
EXPENDITURES				
Public works	553,000	553,000	306,210	246,790
Total expenditures	553,000	553,000	306,210	246,790
Net change in fund balance	86,691	86,691	32,334	(54,357)
Fund balance, beginning of year	28,405	28,405	28,405	-
Fund balance, end of year	\$ 115,096	\$ 115,096	\$ 60,739	\$ (54,357)
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 32,334	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			<u>\$ 32,334</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, 2013

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 80,000	\$ 80,000	\$ 58,386	\$ (21,614)
Grants	<u>21,000</u>	<u>21,000</u>	<u>19,411</u>	<u>(1,589)</u>
Total revenues	101,000	101,000	77,797	(23,203)
EXPENDITURES				
Miscellaneous	<u>53,196</u>	<u>87,547</u>	<u>76,096</u>	<u>11,451</u>
Total expenditures	<u>53,196</u>	<u>87,547</u>	<u>76,096</u>	<u>11,451</u>
Excess (deficiency) of revenues and other sources/(uses) over expenditures	47,804	13,453	1,701	(11,752)
Other financing sources/(uses) Transfer in	<u>11,721</u>	<u>11,721</u>	<u>-</u>	<u>(11,721)</u>
Total other financing sources/(uses)	<u>11,721</u>	<u>11,721</u>	<u>-</u>	<u>(11,721)</u>
Net change in fund balance	59,525	25,174	1,701	(23,473)
Fund balance, beginning of year	<u>2,668,259</u>	<u>2,668,259</u>	<u>2,668,259</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,727,784</u>	<u>\$ 2,693,433</u>	<u>\$ 2,669,960</u>	<u>\$ (23,473)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 1,701	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			<u>\$ 1,701</u>	

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

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, 2013

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 73,500	\$ 73,500	\$ 50,840	\$ (22,660)
Miscellaneous	<u>11,300</u>	<u>11,300</u>	<u>-</u>	<u>(11,300)</u>
Total revenues	84,800	84,800	50,840	(33,960)
EXPENDITURES				
Miscellaneous	<u>84,776</u>	<u>84,776</u>	<u>51,073</u>	<u>33,703</u>
Total expenditures	<u>84,776</u>	<u>84,776</u>	<u>51,073</u>	<u>33,703</u>
Excess (deficiency) of revenues and other sources/(uses) over expenditures	24	24	(233)	(257)
Other financing sources/(uses) Transfer in	<u>-</u>	<u>-</u>	<u>233</u>	<u>233</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>233</u>	<u>233</u>
Net change in fund balance	24	24	-	(24)
Fund balance, beginning of year	<u>2,127,045</u>	<u>2,127,045</u>	<u>2,127,045</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,127,069</u>	<u>\$ 2,127,069</u>	<u>\$ 2,127,045</u>	<u>\$ (24)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ -	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			<u>\$ -</u>	

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

**STATE OF NEW MEXICO
VILLAGE OF ROY**

**SCHEDULE OF DEPOSIT ACCOUNTS
JUNE 30, 2013**

Wells Fargo	Balance Per		
<u>Name of Account</u>	Bank	Reconciled	Type
	06/30/13	Balance	
General Fund	\$ 52,649	\$ 52,649	Checking
Fire	83,857	83,857	Checking
Recreation CD	24,498	24,498	CD
Cemetery Association Fund	26,606	26,606	Checking
Meter Account	3,474	3,474	Checking
Water Account	12,337	12,337	Checking
Grant Funds	60,739	60,739	Checking
Sewer Improvement CD	-	-	CD
Total Deposited	<u>264,160</u>	<u>\$ 264,160</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured amount	14,160		
50% collateral requirement	7,080		
Pledged securities	<u>320,167</u>		
Over (under) requirement	<u>\$ 313,087</u>		

**STATE OF NEW MEXICO
VILLAGE OF ROY**

**SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2013**

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	36225BKX5	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 were engaged to 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, 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 of the Village of Roy (the "Village") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated May 19, 2014, in which we disclaim our opinion on the financial statements.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 03-02, 05-05, 05-07, 05-08.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village'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 item 03-03.

The Village of Roy's Response to Findings

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

Purpose of this Report

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

White + Samaniego + Campbell, ut

El Paso, Texas
May 19, 2014

**STATE OF NEW MEXICO
VILLAGE OF ROY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Prior audit findings		Current status
03-02	Fixed Assets	Repeated
03-03	Audit Report Filed Late	Repeated
05-05	Prior Year Adjustments	Repeated
05-07	Accounts Receivable	Repeated
05-08	Lack of Supporting Documentation	Repeated

STATE OF NEW MEXICO
VILLAGE OF ROY

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

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

CONDITION	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, 2013 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 2013 depreciation was not provided. The Village also did not provide a listing of assets acquired or deleted during the fiscal year.
CRITERIA	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.
CAUSE	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 FY2013 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. The Village is currently working to update and maintain this list.

Audit Report Filed Late (03-03) - Other

CONDITION	The Village's audit report was filed late. The Village of Roy Audit Report was submitted to the State Auditor's Office in May 2014.
CRITERIA	According to the Office of The State Auditor Rule 2.2.2., Audit reports for municipalities were due December 1, 2013.
CAUSE	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 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 the Village this finding was repeated for this year.

Prior Year Adjustments (05-05) - Material Weakness

CONDITION	The Village did not record the auditing adjusting entries from 2012, causing fund balance and net position accounts to be misstated.
CRITERIA	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.
CAUSE	The Village did not record 2012 audit adjustments entries.
EFFECT	Significant audit adjustments were required in 2013 to reconcile beginning fund balance and net position to the 2012 ending balances.
RECOMMENDATION	The Village must implement a control system in accordance with NMAC 6.20.2.22 C in order to post all prior year adjustments.
RESPONSE	The new Village management concurs with the finding. The Village has implemented a control system to post any prior year adjustments.

Accounts Receivable (05-07) - Material Weakness

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.

Lack of supporting documentation (05-08) - Material Weakness

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	<p>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.</p> <p>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.</p>
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.

**STATE OF NEW MEXICO
VILLAGE OF ROY**

**FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2013**

The financial statements of the Village of Roy as of, and for the year ended, June 30, 2013 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible Village personnel.

**STATE OF NEW MEXICO
VILLAGE OF ROY**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2013**

An exit conference was conducted May 8, 2014 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 Roy

Matthew Baca
Marcella Martinez
Chandra Gonzales

Mayor
Trustee
Clerk/Treasurer

White + Samaniego + Campbell, LLP

Roxie Samaniego, CPA

Partner