

**State of New Mexico  
Village of Roy**

**Basic Financial Statements and  
Supplementary Information  
for the Year Ended June 30, 2014  
and Independent Auditors' Report**

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

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**STATE OF NEW MEXICO  
VILLAGE OF ROY**

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**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**DIRECTORY OF OFFICIALS  
JUNE 30, 2014**

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Board of Trustees

Matthew Baca  
Donna Sue Milson  
Alicia Tompkins  
Marcella Martinez  
Sinforosa Lovato

Mayor  
Mayor Pro Tem  
Trustee  
Trustee  
Trustee

Other Officials

Chandra Gonzales

Clerk/Treasurer

## **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 have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Village of Roy, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village of Roy's nonmajor governmental fund and the budgetary comparisons for all nonmajor funds and major proprietary funds presented as supplementary information, as defined by the Government Accounting Standards Board, in accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Roy, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Village of Roy as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all major proprietary funds and nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis which is required 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*

Our audit was conducted for the purpose of forming opinions on the financial statements the combining and individual fund financial statements, and the budgetary comparisons that collectively comprise the Village of Roy's basic financial statements. The other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014 on our consideration of Village of Roy'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 Village of Roy's internal control over financial reporting and compliance.

White & Samaniego + Campbell, LLP

El Paso, Texas  
December 1, 2014

**BASIC FINANCIAL STATEMENTS**



STATE OF NEW MEXICO  
VILLAGE OF ROY

STATEMENT OF NET POSITION  
JUNE 30, 2014

	Primary Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 82,457	\$ 54,189	\$ 136,646
Receivables, net of allowance for uncollectibles	<u>33,288</u>	<u>11,881</u>	<u>45,169</u>
Total current assets	115,745	66,070	181,815
Noncurrent assets			
Restricted assets - cash	-	3,394	3,394
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>4,800,202</u>	<u>11,704,600</u>
Total assets	<u>\$ 7,020,143</u>	<u>\$ 4,866,272</u>	<u>\$ 11,886,415</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 17,317	\$ 1,459	\$ 18,776
Accrued liabilities and other expenses	6,416	-	6,416
Accrued interest	<u>-</u>	<u>1,109</u>	<u>1,109</u>
Total current liabilities	23,733	2,568	26,301
Long-term liabilities			
Compensated absences	1,481	160	1,641
Customer deposits	<u>-</u>	<u>3,394</u>	<u>3,394</u>
Total noncurrent liabilities	<u>1,481</u>	<u>3,554</u>	<u>5,035</u>
Total liabilities	<u>25,214</u>	<u>6,122</u>	<u>31,336</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,904,398	4,796,808	11,701,206
Restricted for			
Special revenues	105,791	-	105,791
Business type activities	-	3,394	3,394
Unassigned	<u>(15,260)</u>	<u>59,948</u>	<u>44,688</u>
Total net position	<u>\$ 6,994,929</u>	<u>\$ 4,860,150</u>	<u>\$ 11,855,079</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, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total		
<b>Functions/Programs:</b>							
Primary government:							
Governmental activities:							
General government	\$ 144,403	\$ 574	\$ 668,173	\$ 524,344	\$	\$ 524,344	
Public safety	246,703	-	171,194	(75,509)		(75,509)	
Public works	733,766	-	31,726	(702,040)		(702,040)	
Culture and recreation	26,225	-	-	(26,225)		(26,225)	
Total governmental activities	<u>1,151,097</u>	<u>574</u>	<u>871,093</u>	<u>(279,430)</u>		<u>(279,430)</u>	
Business-type activities:							
Water and sewer	211,968	109,906	147,460	-	45,398	45,398	
Solid waste	84,204	101,951	-	-	17,747	17,747	
Total business-type activities	<u>296,172</u>	<u>211,857</u>	<u>147,460</u>	<u>-</u>	<u>63,145</u>	<u>63,145</u>	
Total primary government	<u>\$ 1,447,269</u>	<u>\$ 212,431</u>	<u>\$ 1,018,553</u>	<u>(279,430)</u>	<u>63,145</u>	<u>(216,285)</u>	
General Revenues:							
Taxes:							
Gross receipts				55,241	-	55,241	
Gasoline				5,873	-	5,873	
Property				3,766	-	3,766	
Small cities assistance				90,000	-	90,000	
Miscellaneous				22,644	-	22,644	
Interest income				1,077	-	1,077	
Total general revenues and transfers				<u>178,601</u>	-	<u>178,601</u>	
Change in net position				(100,829)	63,145	(37,684)	
Net position, beginning of year				7,371,685	4,797,005	12,168,690	
Restatement				(275,927)	-	(275,927)	
Net position, beginning of year as restated				<u>7,095,758</u>	<u>4,797,005</u>	<u>11,892,763</u>	
Net position, end of year				<u>\$ 6,994,929</u>	<u>\$ 4,860,150</u>	<u>\$ 11,855,079</u>	

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

STATE OF NEW MEXICO  
VILLAGE OF ROY

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General Fund	Fire Fund	Recreation Fund	Cemetery Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 33,598	\$ 24,498	\$ 24,088	\$ 273	\$ -	\$ 82,457
Receivables, net of allowance for uncollectibles	10,256	-	-	-	23,032	-	33,288
Due from other funds	-	8,782	-	-	-	-	8,782
Total assets	\$ 10,256	\$ 42,380	\$ 24,498	\$ 24,088	\$ 23,305	\$ -	\$ 124,527

**LIABILITIES AND FUND BALANCE**

<b>LIABILITIES:</b>							
Current liabilities	\$ 15,163	\$ 2,154	\$ -	\$ -	\$ -	\$ -	\$ 17,317
Accounts payable							
Accrued liabilities and other expenses	6,416	-	-	-	-	-	6,416
Due to other funds	2,456	-	-	-	6,326	-	8,782
Total liabilities	24,035	2,154	-	-	6,326	-	32,515
<b>FUND BALANCES:</b>							
Unassigned reported in:							
General fund	(13,779)	-	-	-	-	-	(13,779)
Restricted for special revenue funds	-	40,226	24,498	24,088	16,979	-	105,791
Total fund balances	(13,779)	40,226	24,498	24,088	16,979	-	92,012
Total liabilities and fund balances	\$ 10,256	\$ 42,380	\$ 24,498	\$ 24,088	\$ 23,305	\$ -	\$ 124,527

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, 2014

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Total fund balances for governmental funds	\$ 92,012
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>
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>(1,481)</u>
Net long-term liabilities	<u>(1,481)</u>
Net position of governmental activities	<u>\$ 6,994,929</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, 2014

	General Fund	Fire Fund	Recreation Fund	Cemetery Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
REVENUES:							
Taxes:							
Gross receipt taxes	\$ 55,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,241
Gas taxes	5,873	-	-	-	-	-	5,873
Property taxes	3,766	-	-	-	-	-	3,766
State grants	-	171,194	-	-	668,173	31,646	871,013
Small city assistance	90,000	-	-	-	-	-	90,000
Charges for services	574	-	-	-	-	-	574
Licenses and permits	1,561	-	-	-	-	-	1,561
Interest income	1,077	-	-	-	-	-	1,077
Miscellaneous	6,107	-	233	-	-	16,304	22,644
Total revenues	164,199	171,194	233	-	668,173	47,950	1,051,749
EXPENDITURES:							
Current:							
General government	144,403	-	-	-	-	-	144,403
Public safety	-	214,824	233	-	-	31,646	246,703
Public works	5,529	-	-	-	711,933	16,304	733,766
Culture and recreation	26,225	-	-	-	-	-	26,225
Total expenditures	176,157	214,824	233	-	711,933	47,950	1,151,097
Excess (deficiency) of revenues over expenditures	(11,958)	(43,630)	-	-	(43,760)	-	(99,348)

STATE OF NEW MEXICO  
VILLAGE OF ROY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Fire Fund	Recreation Fund	Cemetery Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
Other financing sources (uses)	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other sources (uses)	-	-	-	-	-	-	-
Net change in fund balance	(11,958)	(43,630)	-	-	(43,760)	-	(99,348)
Fund balance beginning of year, as previously stated	271,588	83,856	24,498	26,606	60,739	-	467,287
Restatement	(273,409)	-	-	(2,518)	-	-	(275,927)
Fund balance at the beginning of year as restated	(1,821)	83,856	24,498	24,088	60,739	-	191,360
Fund balance end of year	\$ (13,779)	\$ 40,226	24,498	24,088	16,979	\$ -	\$ 92,012

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, 2014**

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Net change in fund balances - total governmental funds	\$ (99,348)
The changes in net position reported for governmental activities in the statement of activities are different because:	
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.	<u>(1,481)</u>
Change in Net Position of governmental activities	<u>\$ (100,829)</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  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes:				
Gross receipts	\$ 55,000	\$ 55,000	\$ 55,241	\$ 241
Property tax	3,411	3,411	3,766	355
Gas tax	750	750	5,873	5,123
Other tax	3,700	3,700	-	(3,700)
Charges for services	4,250	4,250	574	(3,676)
Other license and permits	1,412	1,412	1,561	149
Small cities assistance	90,000	90,000	90,000	-
Interest income	600	600	1,077	477
Miscellaneous	37,850	59,447	6,107	(53,340)
Total revenues	196,973	218,570	164,199	(54,371)
<b>EXPENDITURES</b>				
General government				
General government	143,669	158,784	144,403	14,381
Public works	6,374	6,374	5,529	845
Culture and recreation	25,750	32,232	26,225	6,007
Total expenditures	175,793	197,390	176,157	21,233
Excess (deficiency) of revenues over expenditures	\$ 21,180	\$ 21,180	\$ (11,958)	\$ (33,138)

(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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
Other financing uses	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-
Total other financing other uses	-	-	-	-
Net change in fund balance	21,180	21,180	(11,958)	(33,138)
Fund balance beginning of year	271,588	271,588	271,588	271,588
Restatement	-	-	(273,409)	(273,409)
Fund balance at the beginning of year as restated	271,588	271,588	(1,821)	(1,821)
Fund balance end of year	<u>\$ 292,768</u>	<u>\$ 292,768</u>	<u>\$ (13,779)</u>	<u>\$ (34,959)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance budgetary basis			\$ (11,958)	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			<u>\$ (11,958)</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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Fire allotment	\$ 63,400	\$ 63,400	\$ 171,194	\$ 107,794
Total revenues	63,400	63,400	171,194	107,794
<b>EXPENDITURES</b>				
Public safety	63,400	63,400	214,824	(151,424)
Total expenditures	<u>63,400</u>	<u>63,400</u>	<u>214,824</u>	<u>(151,424)</u>
Net change in fund balance	-	-	(43,630)	(43,630)
Fund balance beginning of year	<u>83,856</u>	<u>83,856</u>	<u>83,856</u>	<u>-</u>
Fund balance end of year	<u>\$ 83,856</u>	<u>\$ 83,856</u>	<u>\$ 40,226</u>	<u>\$ (43,630)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance			\$ (43,630)	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			<u>\$ (43,630)</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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 9,000	\$ 9,000	\$ 233	\$ (8,767)
Total revenues	9,000	9,000	233	(8,767)
<b>EXPENDITURES</b>				
Culture and recreation	-	-	233	(233)
Total expenditures	-	-	233	(233)
Net change in fund balance	9,000	9,000	-	(9,000)
Fund balance, beginning of year	24,498	24,498	24,498	-
Fund balance, end of year	<u>\$ 33,498</u>	<u>\$ 33,498</u>	<u>\$ 24,498</u>	<u>\$ (9,000)</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

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Other	\$ 1,000	\$ 5,834	\$ -	\$ (5,834)
Total revenues	1,000	5,834	-	(5,834)
<b>EXPENDITURES</b>				
Culture and recreation	1,000	5,834	-	5,834
Total expenditures	1,000	5,834	-	5,834
Net change in fund balance	-	-	-	-
Fund balance- beginning of year, as previously stated	26,606	26,606	26,606	-
Prior period adjustment	-	-	(2,518)	2,518
Fund balance- beginning of year, as restated	26,606	26,606	24,088	2,518
Fund balance, end of year	<u>\$ 26,606</u>	<u>\$ 26,606</u>	<u>\$ 24,088</u>	<u>\$ 2,518</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

**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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State grant	\$ 606,000	\$ 606,000	\$ 668,173	\$ 62,173
Total revenues	606,000	606,000	668,173	62,173
<b>EXPENDITURES</b>				
Public works	<u>606,000</u>	<u>606,000</u>	<u>711,933</u>	<u>(105,933)</u>
Total expenditures	<u>606,000</u>	<u>606,000</u>	<u>711,933</u>	<u>(105,933)</u>
Net change in fund balance	-	-	(43,760)	(43,760)
Fund balance, beginning of year	<u>60,739</u>	<u>60,739</u>	<u>60,739</u>	<u>-</u>
Fund balance, end of year	<u>\$ 60,739</u>	<u>\$ 60,739</u>	<u>\$ 16,979</u>	<u>\$ (43,760)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ (43,760)	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			<u>\$ (43,760)</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, 2014

	Water and Sewer	Solid Waste	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 36,442	\$ 17,747	\$ 54,189
Accounts receivable, net	<u>11,881</u>	<u>-</u>	<u>11,881</u>
Total current assets	48,323	17,747	66,070
Noncurrent assets			
Customer deposits	3,394	-	3,394
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>2,673,157</u>	<u>2,127,045</u>	<u>4,800,202</u>
Total assets	<u>\$ 2,721,480</u>	<u>\$ 2,144,792</u>	<u>\$ 4,866,272</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 1,459	\$ -	\$ 1,459
Accrued expenses	<u>1,109</u>	<u>-</u>	<u>1,109</u>
Total current liabilities	2,568	-	2,568
Noncurrent liabilities			
Customer deposits	3,394	-	3,394
Accrued compensated absences	<u>160</u>	<u>-</u>	<u>160</u>
Total noncurrent liabilities	<u>3,554</u>	<u>-</u>	<u>3,554</u>
Total liabilities	<u>6,122</u>	<u>-</u>	<u>6,122</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,669,763	2,127,045	4,796,808
Restricted for customer deposits	3,394	-	3,394
Unrestricted	<u>42,201</u>	<u>17,747</u>	<u>59,948</u>
Total net position	<u>\$ 2,715,358</u>	<u>\$ 2,144,792</u>	<u>\$ 4,860,150</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, 2014

	Water and Sewer	Solid Waste	Total
Operating revenues			
Sales and service	\$ 107,204	\$ 49,806	\$ 157,010
Miscellaneous	<u>2,702</u>	<u>-</u>	<u>2,702</u>
Total operating revenues	109,906	49,806	159,712
Operating expenses			
Other operating costs	202,711	-	202,711
Miscellaneous	<u>9,257</u>	<u>84,204</u>	<u>93,461</u>
Total operating expenses	<u>211,968</u>	<u>84,204</u>	<u>296,172</u>
Operating income (loss)	<u>(102,062)</u>	<u>(34,398)</u>	<u>(136,460)</u>
Nonoperating revenues (expenses)			
Grants	<u>147,460</u>	<u>52,145</u>	<u>199,605</u>
Total nonoperating revenues (expenses)	<u>147,460</u>	<u>52,145</u>	<u>199,605</u>
Net change in net position	45,398	17,747	63,145
Net position, beginning of year	<u>2,669,960</u>	<u>2,127,045</u>	<u>4,797,005</u>
Net position, end of year	<u>\$ 2,715,358</u>	<u>\$ 2,144,792</u>	<u>\$ 4,860,150</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, 2014

	Water and Sewer	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 109,906	\$ 49,806	\$ 159,712
Cash payments to suppliers and employees	<u>(233,341)</u>	<u>(84,204)</u>	<u>(317,545)</u>
Net cash used in operating activities	(123,435)	(34,398)	(157,833)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers, net	-	-	-
Grants	<u>147,460</u>	<u>52,145</u>	<u>199,605</u>
Net cash provided by non-capital financing activities	<u>147,460</u>	<u>52,145</u>	<u>199,605</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	24,025	17,747	41,772
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>15,811</u>	<u>-</u>	<u>15,811</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 39,836</u>	<u>\$ 17,747</u>	<u>\$ 57,583</u>
<b>RECONCILIATION TO CASH AND CASH EQUIVALENT AS REPORTED ON THE STATEMENT OF NET POSITION</b>			
Cash and cash equivalents	\$ 36,442	\$ 17,747	\$ 54,189
Restricted cash	<u>3,394</u>	<u>-</u>	<u>3,394</u>
	<u>\$ 39,836</u>	<u>\$ 17,747</u>	<u>\$ 57,583</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>			
Operating loss	\$ (102,062)	\$ (34,398)	\$ (136,460)
Adjustment to reconcile operating loss to net cash used in operating activities:			
Changes in assets and liabilities			
Accounts receivable	(8,284)	-	(8,284)
Accounts payable	(2,827)	-	(2,827)
Accrued interest	1,109	-	1,109
Compensated absences	160	-	160
Customer deposits	<u>(11,531)</u>	<u>-</u>	<u>(11,531)</u>
Total adjustments	<u>(21,373)</u>	<u>-</u>	<u>(21,373)</u>
Net cash used in operating activities	<u>\$ (123,435)</u>	<u>\$ (34,398)</u>	<u>\$ (157,833)</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, 2014

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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. 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)

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

*Grants Fund* - To account for state and federal funding received for the improvement of streets in designated parts of the Village.

### ***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 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.

In January 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 Government Combinations and Disposals of government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. 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 April 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. 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 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 71 Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. 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 \$195,145 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, 2014, 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, 2014, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable	\$ -	\$ 11,881
Taxes receivable	<u>33,288</u>	<u>-</u>
	<u>\$ 33,288</u>	<u>\$ 11,881</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, 2014, 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:	\$ 45,000	\$ -	\$ -	\$ 45,000
Land				45,000
Total capital assets not being depreciated	45,000	-	-	45,000
Capital Assets, being depreciated	6,000,000	-	-	6,000,000
Infrastructure	492,940	-	-	492,940
Buildings	313,546	-	-	313,546
Equipment	881,613	-	-	881,613
Vehicles				
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	-	-	-	260,900
Building	260,900	-	-	139,800
Equipment	139,800	-	-	428,001
Vehicles	428,001	-	-	
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:**

**Water and Sewer**

Capital assets not being depreciated:

Land

Total capital assets not being depreciated

Other Capital Assets

Building

Equipment

Vehicles

Total capital assets at historical cost

Total capital assets

Less accumulated depreciation

Buildings

Equipment

Vehicles

Total capital assets being depreciated, net

Business-type activities capital assets, net

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
	\$ 3,000	\$ -	\$ -	\$ 3,000
Land				3,000
Total capital assets not being depreciated	3,000	-	-	3,000
Other Capital Assets	18,940	-	-	18,940
Building	5,855,194	-	-	5,855,194
Equipment	36,629	-	-	36,629
Vehicles				
Total capital assets at historical cost	5,910,763	-	-	5,910,763
Total capital assets	5,913,763	-	-	5,913,763
Less accumulated depreciation				9,000
Buildings	9,000	-	-	3,230,500
Equipment	3,230,500	-	-	4,500
Vehicles	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

**Solid Waste**

Capital assets not being depreciated:

Land

Total capital assets not being depreciated

Building

Equipment

Vehicles

Assets at historical cost

Total capital assets

Less accumulated depreciation

Building

Equipment

Vehicles

Total accumulated depreciation

Business-type activities capital assets, net

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
	\$ 2,080,000	\$ -	\$ -	\$ 2,080,000
Land				2,080,000
Total capital assets not being depreciated	2,080,000	-	-	12,000
Building	12,000	-	-	51,000
Equipment	51,000	-	-	16,545
Vehicles	16,545	-	-	
Assets at historical cost	79,545	-	-	79,545
Total capital assets	2,159,545	-	-	2,159,545
Less accumulated depreciation				6,000
Building	6,000	-	-	24,000
Equipment	24,000	-	-	2,500
Vehicles	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 6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/14</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Other liabilities					
Compensated absences	\$ -	\$ 2,341	\$ 860	\$ 1,481	\$ -
Total other liabilities	-	2,341	860	1,481	-
Total	\$ -	\$ 2,341	\$ 860	\$ 1,481	\$ -

  

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/14</u>	<u>Amounts Due Within One Year</u>
Enterprise Funds					
Other liabilities					
Compensated absences	\$ -	\$ 916	\$ 756	\$ 160	\$ -
Total other liabilities	-	916	756	160	-
Total	\$ -	\$ 916	\$ 756	\$ 160	\$ -

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, 2014, 2013 and 2012 were \$6,902, \$8,878, and \$7,450, 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](http://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-1S 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, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; 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. 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, 2014, 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.

**11. 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.

**12. DEFICIT FUND BALANCE**

The Village has a deficit fund balance of \$13,779 in the General Fund. Money will be transferred to the fund to increase the fund balance and eliminate the deficit.

**13. BUDGETARY CONTROL**

New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. The Village exceeds its budget by \$435,485 as follows:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
Fire Fund	\$ 63,400	\$ 214,824	\$ (151,424)
Recreation Fund	-	233	(233)
Grants Fund	606,000	711,933	(105,933)
EMS Fund	7,023	31,646	(24,623)
Water and Sewer Fund	95,000	211,968	(116,968)
Solid Waste Fund	47,900	84,204	(36,304)
Total	<u>\$ 819,323</u>	<u>\$ 1,254,808</u>	<u>\$ (435,485)</u>

**14. RESTATEMENT**

The prior year audit was a disclaimer. Audit information was available for the year ending June 30, 2014 and once reconciled, prior period adjustments (restatements) were required. A restatement of \$(273,409) was made in the General Fund and \$(2,518) in the Cemetery Fund, respectively.

**15. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 1, 2014, the date the financial statements were available to be issued.

**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).

##### **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.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2014**

	EMS	Municipal Street Fund	Total
<b>ASSETS</b>	\$ -	\$ -	\$ -
Cash and cash equivalents	\$ -	\$ -	\$ -
Total assets			
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Total liabilities	-	-	-
Fund balance:	-	-	-
Unreserved	-	-	-
Total fund balance	-	-	-
Total liabilities and fund balance	\$ -	\$ -	\$ -

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, 2014

	EMS	Municipal Street Fund	Total
<b>REVENUES</b>	\$ 31,646	\$ -	\$ 31,646
State grant	-	16,304	16,304
Miscellaneous			
Total revenues	31,646	16,304	47,950
<b>EXPENDITURES</b>	31,646	-	31,646
Public safety	-	16,304	16,304
Public works			
Total expenditures	31,646	16,304	47,950
Excess (Deficiency) of revenues over expenditures	-	-	-
Net change in fund balance	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State grant	\$ -	\$ 7,023	\$ 31,646	\$ 24,623
Total revenues	-	7,023	31,646	24,623
<b>EXPENDITURES</b>				
Public safety	-	7,023	31,646	(24,623)
Total expenditures	-	7,023	31,646	(24,623)
Change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

**Reconciliation of Budgetary Basis to GAAP Basis**

Net changes in fund balance

Revenue accruals

Expenditure accruals

Excess (deficiency) of revenues over expenditures - GAAP Basis

\$ 0

-

\$ 0

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Gross receipts tax	\$ 2,700	\$ 2,700	\$ 16,304	\$ 13,604
Gas tax	5,000	5,000	-	(5,000)
Other	10,250	10,250	-	(10,250)
Total revenues	17,950	17,950	16,304	(1,646)
<b>EXPENDITURES</b>				
Public works	17,950	17,950	16,304	1,646
Total expenditures	17,950	17,950	16,304	1,646
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>			\$ -	
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.

**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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and service	\$ 80,000	\$ 80,000	\$ 107,204	\$ 27,204
Grants	-	-	147,460	147,460
Miscellaneous	15,000	15,000	2,702	(12,298)
Total revenues	95,000	95,000	257,366	162,366
<b>EXPENDITURES</b>				
Other operating costs	-	-	202,711	(202,711)
Miscellaneous	80,000	95,000	9,257	85,743
Total expenditures	80,000	95,000	211,968	(116,968)
Excess (deficiency) of revenues and other sources/(uses) over expenditures	15,000	-	45,398	45,398
Other financing sources/(uses)				
Transfer in	11,721	11,721	-	(11,721)
Total other financing sources/(uses)	11,721	11,721	-	(11,721)
Net change in fund balance	26,721	11,721	45,398	33,677
Fund balance, beginning of year	2,669,960	2,669,960	2,669,960	-
Fund balance, end of year	<u>\$ 2,696,681</u>	<u>\$ 2,681,681</u>	<u>\$ 2,715,358</u>	<u>\$ 33,677</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>			\$ 45,398	
Net changes in fund balance			-	
Revenue accruals			-	
Expenditure accruals			<u>\$ 45,398</u>	
Net change in fund balance - GAAP Basis				

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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>	\$ 35,000	\$ 35,000	\$ 49,806	\$ 14,806
Sales and service	11,500	11,500	-	(11,500)
Miscellaneous	-	-	52,145	52,145
Grants	1,400	1,400	-	(1,400)
Gross receipts tax	-	-	-	-
Total revenues	47,900	47,900	101,951	54,051
<b>EXPENDITURES</b>	47,900	47,900	84,204	(36,304)
Miscellaneous	47,900	47,900	84,204	(36,304)
Total expenditures	47,900	47,900	84,204	(36,304)
Excess (deficiency) of revenues and other sources/(uses) over expenditures	-	-	17,747	17,747
Net change in fund balance	-	-	17,747	17,747
Fund balance, beginning of year	2,127,045	2,127,045	2,127,045	-
Fund balance, end of year	\$ 2,127,045	\$ 2,127,045	\$ 2,144,792	\$ 17,747

**Reconciliation of Budgetary Basis to GAAP Basis**

Net changes in fund balance	\$ 17,747
Revenue accruals	-
Expenditure accruals	-
Net change in fund balance - GAAP Basis	\$ 17,747

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



STATE OF NEW MEXICO  
VILLAGE OF ROY

SCHEDULE OF DEPOSIT ACCOUNTS  
JUNE 30, 2014

Wells Fargo	Balance Per Bank 06/30/14	Reconciled Balance	Type
<u>Name of Account</u>			
	\$ 52,649	\$ (2,456)	Checking
General Fund	42,380	42,380	Checking
Fire	24,498	24,498	Checking
Recreation	24,088	24,088	Checking
Cemetery Association Fund	273	273	Checking
CDBG	3,394	3,394	Checking
Meter Account	36,442	36,442	Checking
Water Account	(6,326)	(6,326)	Checking
Grant Funds	17,747	17,747	CD
Sewer Improvement CD	<u>195,145</u>	<u>\$ 140,040</u>	
Total Deposited	<u>(250,000)</u>		
Less: FDIC Coverage	(54,855)		
Uninsured amount	(27,428)		
50% collateral requirement	<u>320,167</u>		
Pledged securities	<u>\$ 347,595</u>		
Over (under) requirement			

STATE OF NEW MEXICO  
VILLAGE OF ROY

SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2014

The following securities are pledged at Wells Fargo Bank:

Description	CUSIP#	Fair Value	Maturity Date	Location
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	36,581	4/15/31	California
		<u>\$ 320,167</u>		

**COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' 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, 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, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Village of Roy, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Village of Roy'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 December 1, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Village of Roy'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 Village of Roy's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Roy's internal control.

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

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

We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2003-002 (03-02), 2005-005 (05-05).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-003 (03-03), 2014-002 to be significant deficiencies.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Village of Roy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.(2014-001)

#### **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, LLP

El Paso, Texas  
December 1, 2014

STATE OF NEW MEXICO  
VILLAGE OF ROY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

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<b>Prior audit findings</b>		<b>Current status</b>
2013-002 (03-02)	Fixed Assets	Repeated
2003-003 (03-03)	Audit Report Filed Late	Repeated
2005-005 (05-05)	Prior Year Adjustments	Repeated
05-07	Accounts Receivable	Resolved
05-08	Lack of Supporting Documentation	Resolved

STATE OF NEW MEXICO  
VILLAGE OF ROY

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2014

Capital Assets not compliant with DFA and GASB 34 Requirements 2013-002 (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, 2014 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 2014 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 FY2014 and cumulative depreciation by each major class of asset, capitalize infrastructure acquired after July 1, 2003 and maintain accurate capital asset records.

**RESPONSE**

The Village is currently working to update and maintain this list. The Village will have an accurate list and capital asset observation by June 30, 2015.

**Audit Report Filed Late 2003-003 (03-03) - Significant Deficiency**

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<b>CONDITION</b>	The Village's audit report was filed on December 1, 2014. The Village of Roy Audit Report was submitted on time to the State Auditor's Office, however, corrections were required.
<b>CRITERIA</b>	According to the Office of The State Auditor Rule 2.2.2., Audit reports for municipalities were due December 1, 2014.
<b>CAUSE</b>	The Village's audit report was filed on December 1, 2014. The Village of Roy Audit Report was submitted on time to the State Auditor's Office, however, corrections were required.
<b>EFFECT</b>	The report was not filed in compliance with the State of New Mexico Audit Act.
<b>RECOMMENDATION</b>	The Village should work closely with its auditors' to ensure that the audit is conducted timely in order to turn in the audit prior to the deadline.
<b>RESPONSE</b>	The Village of Roy will work closely with the auditor to ensure that audit reports be submitted timely.

**Prior Year Adjustments 2005-005 (05-05) - Material Weakness**

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<b>CONDITION</b>	The Village did not record the auditing adjusting entries from 2013, causing fund balance and net position 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 2013 audit adjustments entries.
<b>EFFECT</b>	Significant audit adjustments were required in 2014 to reconcile beginning fund balance and net position to the 2013 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 Village has implemented a control system to post any prior year adjustments. The adjustments for the FY14 audit will be posted to ensure beginning fund balances reconcile.



**Expenses in Excess of Budget (2014-001) - Other**

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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, 2014 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>
Fire Fund	\$ 63,400	\$	214,824	\$	(151,424)
Grants Fund	606,000		711,933		(105,933)
EMS Fund	7,023		31,646		(24,623)
Recreation Fund	-		233		(233)
Water and Sewer Fund	95,000		211,968		(116,968)
Solid Waste Fund	47,900		84,204		(36,304)

**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.

**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 Village Council and DFA for approval prior to year-end.

**Bank Reconciliations (2014-002) - Significant Deficiency**

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<b>CONDITION</b>	Bank reconciliations had not been properly performed. During audit testwork, it was noted that there was a difference of \$11,977 between the cash confirmation received from Community 1st Bank and the Village's bank reconciliation. The Village's personnel was not able to provide an explanation for the difference.
<b>CRITERIA</b>	Section 6-6-3 NMSA, 1978 discusses good accounting practices and require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.
<b>CAUSE</b>	The Village has had disclaimers in prior years and is correcting errors as timely as possible.
<b>EFFECT</b>	Cash was understated on the financial statements.
<b>RECOMMENDATION</b>	It is recommended that the Village perform complete and accurate bank reconciliations at month end and assign another member of management the responsibility of reviewing each month's bank reconciliation. All unusual reconciling items should be investigated and dealt with promptly so errors do not accumulate thereby making the reconciliation process more difficult and time consuming.
<b>RESPONSE</b>	The Village is looking into the difference and will be reviewing each month's bank reconciliation timely.

**STATE OF NEW MEXICO  
VILLAGE OF ROY**

**FINANCIAL STATEMENT PREPARATION  
FOR THE YEAR ENDED JUNE 30, 2014**

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The financial statements of the Village of Roy as of, and for the year ended, June 30, 2014 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, 2014**

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An exit conference was conducted December 1, 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

Donna Milson  
Dorothy Hanzen  
Chandra Gonzales

Mayor Pro Tem  
Deputy Clerk  
Clerk/Treasurer

White + Samaniego + Campbell, LLP

Roxie Samaniego  
Dahlia Garcia  
Fernando Ramirez

Partner  
Supervisor  
Staff