

STATE OF NEW MEXICO  
VILLAGE OF ROY  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015 AND  
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO  
VILLAGE OF ROY  
For the Year Ended June 30, 2015

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STATE OF NEW MEXICO  
VILLAGE OF ROY  
For the Year Ended June 30, 2015

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STATE OF NEW MEXICO  
VILLAGE OF ROY  
For the Year Ended June 30, 2015

Board of Trustees

Matthew Baca	Mayor
Donna Sue Milson	Mayor Pro Tem
Marcella Martinez	Trustee
Sinforosa Lovato	Trustee

Other Officials

Open Position	Clerk/Treasurer
Dorothy Hazen	Deputy Clerk



# Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner  
Christine Wright, CPA, Partner  
Beth Fant, EA, Partner  
Brad Beasley, CPA, Partner

## INDEPENDENT AUDITORS' REPORT

Timothy Keller, 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, 2015, 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 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, 2015, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2015, 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, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, accordingly, we do not express an opinion or provide assurance on it.

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 combining and individual nonmajor fund financial statements 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 14, 2015 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.

*Beasley Mitchell & Co LLP*

Beasley, Mitchell & Co., LLP  
Las Cruces, New Mexico  
December 14, 2015

## **BASIC FINANCIAL STATEMENTS**



STATE OF NEW MEXICO  
VILLAGE OF ROY  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

	<b>Primary Government Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 200,084	\$ 83,032	\$ 283,116
Taxes receivable	15,440	-	15,440
Accounts receivable	-	12,968	12,968
	<u>215,524</u>	<u>96,000</u>	<u>311,524</u>
Total current assets			
NONCURRENT ASSETS:			
Restricted assets - cash	-	3,544	3,544
Capital assets	7,265,003	8,073,308	15,338,311
Less accumulated depreciation	<u>(364,871)</u>	<u>(3,406,753)</u>	<u>(3,771,624)</u>
	<u>6,900,132</u>	<u>4,670,099</u>	<u>11,570,231</u>
Total noncurrent assets			
Total assets	7,115,656	4,766,099	11,881,755
DEFERRED OUTFLOWS:			
Deferred outflows - pension expense	<u>4,256</u>	<u>3,698</u>	<u>7,954</u>
Total deferred outflows	<u>4,256</u>	<u>3,698</u>	<u>7,954</u>
<b>Total assets and deferred outflows</b>	<b><u>\$ 7,119,912</u></b>	<b><u>\$ 4,769,797</u></b>	<b><u>\$ 11,889,709</u></b>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO  
VILLAGE OF ROY  
STATEMENT OF NET POSITION (CONTINUED)  
June 30, 2015

	Primary Government Governmental Activities	Business- type Activities	Total
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
CURRENT LIABILITIES:			
Accounts payable	\$ 4,030	\$ 4,330	\$ 8,360
Accrued liabilities and other expenses	768	-	768
Accrued interest	-	1,266	1,266
Current portion of long-term debt	<u>22,775</u>	<u>-</u>	<u>22,775</u>
Total current liabilities	27,573	5,596	33,169
LONG TERM LIABILITIES:			
Long term debt	114,906	-	114,906
Net pension liability	40,492	35,177	75,669
GRT payable	-	699	699
Compensated absences	860	-	860
Customer deposits	<u>-</u>	<u>3,544</u>	<u>3,544</u>
Total noncurrent liabilities	<u>156,258</u>	<u>39,420</u>	<u>195,678</u>
Total liabilities	<u>183,831</u>	<u>45,016</u>	<u>228,847</u>
DEFERRED INFLOWS:			
Deferred inflows- change in assumption	27	24	51
Deferred inflows - net difference between projected and actual earnings	<u>15,842</u>	<u>13,762</u>	<u>29,604</u>
Total deferred inflows	<u>15,869</u>	<u>13,786</u>	<u>29,655</u>
Total liabilities and deferred inflows	199,700	58,802	258,502
<b>NET POSITION</b>			
Net investment in capital assets	6,739,676	4,666,555	11,406,231
Restricted for			
Special revenues	144,245	-	144,245
Unassigned	<u>36,291</u>	<u>44,440</u>	<u>80,731</u>
Total net position	<u>6,920,212</u>	<u>4,710,995</u>	<u>11,631,207</u>
Total liabilities, deferred inflows and net position	<u>\$ 7,119,912</u>	<u>\$ 4,769,797</u>	<u>\$ 11,889,709</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO  
VILLAGE OF ROY  
STATEMENT OF ACTIVITIES  
June 30, 2015

Functions/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Program Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 109,248	\$ 13,000	\$ -	\$ (96,248)	\$ -	\$ (96,248)
Public safety	43,516	-	69,601	26,085	-	26,085
Public works	104,850	-	112,263	7,413	-	7,413
Culture and recreation	21,024	-	-	(21,024)	-	(21,024)
Unallocated depreciation	48,936	-	-	(48,936)	-	(48,936)
Total governmental activities	327,574	13,000	181,864	(132,710)	-	(132,710)
Business-type activities:						
Water and sewer	243,435	110,877	-	-	(132,558)	(132,558)
Solid waste	52,990	60,977	-	-	7,987	7,987
Cemetery fund	1,826	650	-	-	(1,176)	(1,176)
Total business-type activities	298,251	172,504	-	-	(125,747)	(125,747)
Total primary government	<u>\$ 625,825</u>	<u>\$ 185,504</u>	<u>\$ 181,864</u>	(132,710)	(125,747)	(258,457)
General Revenues:						
Taxes:						
				90,244	-	90,244
				1,498	-	1,498
				6,686	-	6,686
				2,049	-	2,049
				3,846	-	3,846
				90,000	-	90,000
				35,482	-	35,482
				723	-	723
				<u>230,528</u>	-	<u>230,528</u>
				97,818	(125,747)	(27,929)
				6,994,929	4,860,150	11,855,079
				<u>(172,535)</u>	<u>(23,408)</u>	<u>(195,943)</u>
				<u>6,822,394</u>	<u>4,836,742</u>	<u>11,659,136</u>
				<u>\$ 6,920,212</u>	<u>\$ 4,710,995</u>	<u>\$ 11,631,207</u>

See independent auditors' report and accompanying notes to financial statements

**GOVERNMENTAL FUND STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF ROY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED June 30, 2015

	General Fund	Fire Fund	Recreation Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 51,809	\$ 67,681	\$ 24,498	\$ 54,941	\$ 1,155	\$ 200,084
Taxes receivable	<u>15,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,440</u>
Total assets	<u>\$ 67,249</u>	<u>\$ 67,681</u>	<u>\$ 24,498</u>	<u>\$ 54,941</u>	<u>\$ 1,155</u>	<u>\$ 215,524</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ -	\$ 2,525	\$ 1,505	\$ -	\$ -	\$ 4,030
Accrued liabilities and other expenses	<u>768</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>768</u>
Total liabilities	768	2,525	1,505	-	-	4,798
<b>DEFERRED INFLOWS:</b>						
Property tax	<u>371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371</u>
Total deferred inflows	<u>371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371</u>
Total liabilities and deferred inflows	1,139	2,525	1,505	-	-	5,169
<b>FUND BALANCES:</b>						
Unassigned reported in:						
General fund	66,110	-	-	-	-	66,110
Restricted for special revenue funds	<u>-</u>	<u>65,156</u>	<u>22,993</u>	<u>54,941</u>	<u>1,155</u>	<u>144,245</u>
Total fund balances	<u>66,110</u>	<u>65,156</u>	<u>22,993</u>	<u>54,941</u>	<u>1,155</u>	<u>210,355</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 67,249</u>	<u>\$ 67,681</u>	<u>\$ 24,498</u>	<u>\$ 54,941</u>	<u>\$ 1,155</u>	<u>\$ 215,524</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO  
VILLAGE OF ROY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED June 30, 2015

Total fund balances for governmental funds		\$ 210,355
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	7,265,003	
Accumulated depreciation	<u>(364,871)</u>	6,900,132
Deferred outflows:		
Contributions made after the measurement date, that will be recognized as a reduction of net pension liability		4,256
Deferred inflows due to actual non-investment experience that was better than expected and changes in benefits or assumption which result in a decrease to net pension liability:		
Change in assumption	(27)	
Difference between projected and actual investment earnings on pension plan investments	<u>(15,842)</u>	(15,869)
Deferred inflows - assets not available to pay for current period expenditures and therefore, are deferred in the funds - property tax		371
Other long-term liabilities and certain other liabilities 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:		
Long term debt	(137,681)	
Net pension liability	(40,492)	
Compensated absences	<u>(860)</u>	<u>(179,033)</u>
Total net position - governmental activities		<u>\$ 6,920,212</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, 2015

	General Fund	Fire Fund	Recreation Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
REVENUES:						
Taxes:						
Gross receipt taxes	\$ 90,244	\$ -	\$ -	\$ -	\$ -	\$ 90,244
Gas taxes	6,686	-	-	-	-	6,686
Property taxes	3,475	-	-	-	-	3,475
MVD taxes	2,049	-	-	-	-	2,049
State grants	-	59,354	-	112,263	10,247	181,864
Small city assistance	90,000	-	-	-	-	90,000
Charges for services	13,000	-	-	-	-	13,000
Licenses and permits	1,498	-	-	-	-	1,498
Interest income	723	-	-	-	-	723
Loan proceeds	-	137,681	-	-	-	137,681
Miscellaneous	11,156	-	-	-	24,326	35,482
Total revenues	218,831	197,035	-	112,263	34,573	562,702
EXPENDITURES:						
General government	112,436	-	-	-	-	112,436
Public safety	-	34,424	-	-	9,092	43,516
Public works	6,223	-	-	74,301	24,326	104,850
Culture and recreation	19,519	-	1,505	-	-	21,024
Capital outlay	-	137,681	-	-	-	137,681
Total expenditures	138,178	172,105	1,505	74,301	33,418	419,507
Excess (deficiency) of revenues over expenditures	80,653	24,930	(1,505)	37,962	1,155	143,195
Net change in fund balance	80,653	24,930	(1,505)	37,962	1,155	143,195
Fund balance beginning of year, as previously stated	(13,778)	40,226	24,498	16,979	-	67,925
Restatement	(765)	-	-	-	-	(765)
Fund balance at the beginning of year as restated	(14,543)	40,226	24,498	16,979	-	67,160
Fund balance end of year	\$ 66,110	\$ 65,156	22,993	54,941	\$ 1,155	\$ 210,355

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, 2015

Net change in fund balances - total governmental funds		\$ 143,195
Amount reported for governmental activities in the Statement of Activities are different because:		
Pension expense, net		2,567
Deferred inflows- assets not available to pay for current period expenditures and therefore, are deferred in the funds - property tax		371
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation expense	(48,936)	
Capital assets reported as capital outlay expenditures	<u>137,681</u>	88,745
Governmental fund reported as loan proceed in the fund level, but not recognized as revenue as statement of activities		(137,681)
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid).		<u>621</u>
Change in net position of governmental activities		<u>\$ 97,818</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 (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
GENERAL FUND  
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes:				
Gross receipts	\$ 50,000	\$ 50,000	\$ 75,779	\$ 25,779
Property tax	3,700	3,700	3,060	(640)
Gas tax	500	500	6,269	5,769
MVD tax	4,200	4,200	1,906	(2,294)
Charges for services	4,850	4,850	13,000	8,150
Other license and permits	1,262	1,262	1,498	236
Small cities assistance	90,000	90,000	90,000	-
Interest income	750	750	723	(27)
Miscellaneous	<u>31,950</u>	<u>31,950</u>	<u>11,156</u>	<u>(20,794)</u>
Total revenues	187,212	187,212	203,391	16,179
<b>EXPENDITURES</b>				
General government				
General government	143,686	143,686	111,668	32,018
Public works	6,224	6,224	6,223	1
Culture and recreation	<u>25,850</u>	<u>25,850</u>	<u>19,519</u>	<u>6,331</u>
Total expenditures	<u>175,760</u>	<u>175,760</u>	<u>137,410</u>	<u>38,350</u>
Excess (deficiency) of revenues over expenditures	<u>11,452</u>	<u>11,452</u>	<u>65,981</u>	<u>54,529</u>
Other financing uses				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing other uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	11,452	11,452	65,981	54,529
Fund balance beginning of year	(13,778)	(13,778)	(13,778)	-
Restatement	<u>-</u>	<u>-</u>	<u>(765)</u>	<u>(765)</u>
Fund balance at the beginning of year as restated	<u>(13,778)</u>	<u>(13,778)</u>	<u>(14,543)</u>	<u>(765)</u>
Fund balance end of year	<u>\$ (2,326)</u>	<u>\$ (2,326)</u>	<u>\$ 51,438</u>	<u>\$ 54,529</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance budgetary basis			\$ 65,981	
Revenue accruals			15,440	
Expenditure accruals			<u>(768)</u>	
Net change in fund balance - GAAP Basis			<u>\$ 80,653</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  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
SPECIAL REVENUE FUND - FIRE FUND  
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Fire allotment	\$ 66,196	\$ 66,196	\$ 59,354	\$ (6,842)
Loan Proceeds	-	-	<u>137,681</u>	<u>137,681</u>
Total revenues	66,196	66,196	197,035	130,839
<b>EXPENDITURES</b>				
Public safety	66,196	66,196	31,899	34,297
Capital outlay	-	-	<u>137,681</u>	<u>(137,681)</u>
Total expenditures	66,196	66,196	169,580	(103,384)
Net change in fund balance	-	-	27,455	27,455
Fund balance beginning of year	<u>40,226</u>	<u>40,226</u>	<u>40,226</u>	<u>-</u>
Fund balance end of year	<u>\$ 40,226</u>	<u>\$ 40,226</u>	<u>\$ 67,681</u>	<u>\$ 27,455</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Net changes in fund balance			\$ 27,455	
Revenue accruals			-	
Expenditure accruals			<u>(2,525)</u>	
Net change in fund balance - GAAP Basis			<u>\$ 24,930</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 (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
RECREATION FUND  
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Culture and recreation	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>24,498</u>	<u>24,498</u>	<u>24,498</u>	<u>-</u>
Fund balance, end of year	<u>\$ 24,498</u>	<u>\$ 24,498</u>	<u>\$ 24,498</u>	<u>\$ -</u>
 <b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ -	
Revenue accruals			-	
Expenditure accruals			<u>(1,505)</u>	
Net change in fund balance - GAAP Basis			<u>\$ (1,505)</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 (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
GRANT FUND  
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State grant	\$ 90,231	\$ 90,231	\$ 112,263	\$ 22,032
Total revenues	90,231	90,231	112,263	22,032
<b>EXPENDITURES</b>				
Public works	83,905	83,905	74,301	9,604
Total expenditures	83,905	83,905	74,301	9,604
Net change in fund balance	6,326	6,326	37,962	31,636
Fund balance, beginning of year	16,979	16,979	16,979	-
Fund balance, end of year	<u>\$ 23,305</u>	<u>\$ 23,305</u>	<u>\$ 54,941</u>	<u>\$ 31,636</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ 37,962	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Net change in fund balance - GAAP Basis			<u>\$ 37,962</u>	

See independent auditors' report and accompanying notes to financial statements

**PROPRIETARY FUNDS**

STATE OF NEW MEXICO  
VILLAGE OF ROY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED June 30, 2015

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Cemetery Fund</u>	<u>Total</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 29,131	\$ 30,989	\$ 22,912	\$ 83,032
Accounts receivable, net	<u>10,183</u>	<u>2,785</u>	<u>-</u>	<u>12,968</u>
Total current assets	39,314	33,774	22,912	96,000
NON CURRENT ASSETS:				
Customer deposits	3,544	-	-	3,544
Capital assets	5,913,763	2,159,545	-	8,073,308
Less accumulated depreciation	<u>(3,367,198)</u>	<u>(39,555)</u>	<u>-</u>	<u>(3,406,753)</u>
Total noncurrent assets	<u>2,550,109</u>	<u>2,119,990</u>	<u>-</u>	<u>4,670,099</u>
Total assets	\$ 2,589,423	\$ 2,153,764	\$ 22,912	\$ 4,766,099
DEFERRED OUTFLOWS:				
Deferred outflows - pension expense	2,186	1,512	-	3,698
Deferred outflows - change in assumption	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows	<u>2,186</u>	<u>1,512</u>	<u>-</u>	<u>3,698</u>
<b>Total assets and deferred outflows</b>	<u>\$ 2,591,609</u>	<u>\$ 2,155,276</u>	<u>\$ 22,912</u>	<u>\$ 4,769,797</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO  
VILLAGE OF ROY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS (CONTINUED)  
FOR THE YEAR ENDED June 30, 2015

	Water and Sewer	Solid Waste	Cemetery Fund	Total
<b>LIABILITIES AND DEFERRED INFLOWS</b>				
CURRENT LIABILITIES:				
Accounts payable	\$ 2,972	\$ 1,358	\$ -	\$ 4,330
Accrued expenses	918	348	-	1,266
Total current liabilities	3,890	1,706	-	5,596
NON CURRENT LIABILITIES:				
Net pension liability	20,796	14,381	-	35,177
Customer deposits	3,544	-	-	3,544
GRT payable	508	191	-	699
Total noncurrent liabilities	24,848	14,572	-	39,420
Total liabilities	28,738	16,278	-	45,016
DEFERRED INFLOWS:				
Deferred inflows - change in assumption	14	10	-	24
Deferred inflows - net difference between projected and actual earnings	8,136	5,626	-	13,762
Total deferred inflows	8,150	5,636	-	13,786
Total liabilities and deferred inflows	36,888	21,914	-	58,802
<b>NET POSITION</b>				
Net investment in capital assets	2,546,565	2,119,990	-	4,666,555
Unrestricted	8,156	13,372	22,912	44,440
Total net position	2,554,721	2,133,362	22,912	4,710,995
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 2,591,609</b>	<b>\$ 2,155,276</b>	<b>\$ 22,912</b>	<b>\$ 4,769,797</b>

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 NET POSITION -  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Cemetery Fund</u>	<u>Total</u>
Operating revenues				
Sales and service	\$ 110,877	\$ 60,977	\$ 650	\$ 172,504
Total operating revenues	110,877	60,977	650	172,504
Operating expenses				
Solid waste expenditure	-	45,935	-	45,935
Financial Administration	95,300	-	1,826	97,126
Depreciation expense	123,198	7,055	-	130,253
Miscellaneous	24,019	-	-	24,019
Salaries	918	-	-	918
Total operating expenses	<u>243,435</u>	<u>52,990</u>	<u>1,826</u>	<u>298,251</u>
Operating income (loss)	<u>(132,558)</u>	<u>7,987</u>	<u>(1,176)</u>	<u>(125,747)</u>
Net change in net position	(132,558)	7,987	(1,176)	(125,747)
Net position beginning of year, as previously stated	2,715,358	2,144,792	24,088	4,884,238
Restatement	<u>(28,079)</u>	<u>(19,417)</u>	<u>-</u>	<u>(47,496)</u>
Net Position beginning of year, as restated	<u>2,687,279</u>	<u>2,125,375</u>	<u>24,088</u>	<u>4,836,742</u>
Net position, end of year	<u>\$ 2,554,721</u>	<u>\$ 2,133,362</u>	<u>\$ 22,912</u>	<u>\$ 4,710,995</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, 2015

	Water and Sewer	Solid Waste	Cemetery Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from agencies and customers	\$ 84,646	\$ 37,263	\$ 650	\$ 122,559
Cash payments to employees for services	25,651	20,929	-	46,580
Cash paid to suppliers for goods and services	<u>(117,966)</u>	<u>(45,140)</u>	<u>(1,826)</u>	<u>(164,932)</u>
Net cash provided by (used in) operating activities	(7,669)	13,052	(1,176)	4,207
CASH FLOWS FROM CAPITAL ACTIVITIES AND RELATED FINANCING FINANCING ACTIVITIES:				
GRT payments received	508	190	-	698
Net cash provided by capital and related financing activities	<u>508</u>	<u>190</u>	<u>-</u>	<u>698</u>
NET INCREASE (DECREASE) IN CASH	(7,161)	13,242	(1,176)	4,905
CASH, BEGINNING OF YEAR	<u>39,836</u>	<u>17,747</u>	<u>24,088</u>	<u>81,671</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 32,675</u>	<u>\$ 30,989</u>	<u>\$ 22,912</u>	<u>\$ 86,576</u>
SUPPLEMENTARY INFORMATION				
Cash and cash equivalents	\$ 29,131	\$ 30,989	\$ 22,912	\$ 83,032
Restricted cash	<u>3,544</u>	<u>-</u>	<u>-</u>	<u>3,544</u>
Total cash and cash equivalents	<u>\$ 32,675</u>	<u>\$ 30,989</u>	<u>\$ 22,912</u>	<u>\$ 86,576</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO  
VILLAGE OF ROY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
For the Year Ended June 30, 2015

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Cemetery Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY(USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ (132,558)	\$ 7,988	\$ (1,176)	\$ (125,746)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	123,198	7,055	-	130,253
Restatement	(28,079)	(19,417)	-	(47,496)
Changes in assets and liabilities				
Accounts receivable	1,698	(2,785)	-	(1,087)
Other assets	(2,186)	(1,512)	-	(3,698)
Accounts payable	1,513	1,358	-	2,871
Accrued expenses and other liabilities	(191)	348	-	157
Compensated absences	(160)	-	-	(160)
Customer deposits	150	-	-	150
Other liabilities	<u>28,946</u>	<u>20,017</u>	<u>-</u>	<u>48,963</u>
Net cash provided by (used in) operating activities	<u>\$ (7,669)</u>	<u>\$ 13,052</u>	<u>\$ (1,176)</u>	<u>\$ 4,207</u>

See independent auditors' report and accompanying notes to financial statements

## 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, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Roy (the "Village") have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to December 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the Village's accounting policies are described below. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village elected not to follow subsequent private-sector guidance.

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, 2015.

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 were 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 (fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative service matters.

STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (Continued)**

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.

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 in the sections 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.

STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of presentation (Continued)**

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. Some grants and contributions consist of capital assets or resources that are restricted 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.

STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

***Special Revenue Funds*** - To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Village has the following special revenue funds:

*Fire Fund* - To account for the operation and maintenance of the Village Volunteer 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.

*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 solid waste 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.

*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).

STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 60 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.



STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting (continued)**

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

STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

Cash may include amounts in demand deposits as well as certificates of deposits 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.

STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Receivables and Payables**

Receivables may include property taxes, interfund loans that are expected to be paid back and amounts 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**

Harding 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

STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 10 days per year and a maximum of 15 days per year based upon the length of service.

Each permanent Full-time 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. Part-time receive 4 hours Sick leave may be granted only from duty because of personal illness, legal quarantine, or medical, dental, or optical appointments.

**Pensions**

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

STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

The government-wide and business-type activities fund financial statements utilize a net position presentation. The Village presents the following categories of net position:

***Net investment in capital assets*** - To reflect the portion of net position that are associated with capital assets less outstanding capital asset related debt.

**Restricted net position-** Results 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.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Unrestricted net position-* 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 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Earlier application is encouraged. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Village is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

upcoming year.

***New Governmental Accounting Standards (continued)***

In 2015, GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities or pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information supporting assessments of accountability and interperiod equity, and creating additional transparency. The Village is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Village is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***New Governmental Accounting Standards (continued)***

In 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Village is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Village is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.



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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***New Governmental Accounting Standards (continued)***

In 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The Village is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements 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).

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**3. CASH AND INVESTMENTS**

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, 2015, the Village's bank balance total of \$338,561 was exposed to no custodial credit risk.

At June 30, 2015, FDIC insurance covers \$250,000 on all accounts at a single financial institution. 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 not covered by FDIC insurance, in accordance with section 6-10-17, NMSA, 1978 Compilation. See schedule of deposit accounts for collateral coverage.

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, 2015, were as follows:

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>TOTAL</b>
Accounts receivable	\$ -	\$ 12,968	\$ 12,968
Taxes receivable	15,440	-	15,440
	\$ 15,440	\$ 12,968	\$ 28,408

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

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5. CAPITAL ASSETS

*Changes in Capital Assets*-Capital asset activity for the Village's primary government for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014 as previously stated	Restatement	Balance June 30, 2014 as restated	Additions	Deletions	Transfer	Balance June 30. 2015
<b>Government activities:</b>							
Capital assets not being depreciated:							
Land	\$ 45,000	\$ -	\$ 45,000	\$ -	\$ -	-	\$ 45,000
Fire Truck Deposit	-	82,967	82,967	-	-	(82,967)	-
Total capital assets not being depreciated	45,000	82,967	127,967	-	-	(82,967)	45,000
Capital Assets, being depreciated							
Infrastructure	6,000,000	-	6,000,000	-	-	-	6,000,000
Buildings	492,940	-	492,940	-	-	-	492,940
Equipment	313,546	(161,839)	151,707	-	-	-	151,707
Vehicles	881,613	(526,905)	354,708	137,681	-	82,967	575,356
Total capital assets, being depreciated	7,688,099	(688,744)	6,999,355	137,681	-	82,967	7,220,003
Total capital assets	7,733,099	(605,777)	7,127,322	137,681	-	-	7,265,003
Less accumulated depreciation for:							
Infrastructure	-	-	-	-	-	-	-
Building	260,900	-	260,900	8,132	-	-	269,032
Equipment	139,800	(103,440)	36,360	15,035	-	-	51,395
Vehicles	428,001	(409,326)	18,675	25,769	-	-	44,444
Total accumulated depreciation	828,701	(512,766)	315,935	48,936	-	-	364,871
Total capital assets, net	\$ 6,904,398	\$ (93,011)	\$ 6,811,387	\$ 88,745	\$ -	\$ -	\$ 6,900,132

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**Business-type activities:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer</u>	<u>Ending Balance</u>
<b>Water and Sewer</b>					
Capital assets not being depreciated:					
Land	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000
Total capital assets not being depreciated	3,000	-	-	-	3,000
<b>Other Capital Assets</b>					
Building	18,940	-	-	-	18,940
Equipment	5,855,194	-	-	-	5,855,194
Vehicles	36,629	-	-	-	36,629
Total capital assets at historical cost	<u>5,910,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,910,763</u>
Total capital assets	<u>5,913,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,913,763</u>
<b>Less accumulated depreciation</b>					
Buildings	9,000	474	-	-	9,474
Equipment	3,230,500	120,726	-	-	3,351,226
Vehicles	4,500	1,998	-	-	6,498
Total accumulated depreciation	<u>3,244,000</u>	<u>123,198</u>	<u>-</u>	<u>-</u>	<u>3,367,198</u>
Water and sewer capital assets, net	<u>\$2,669,763</u>	<u>\$ (123,198)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,546,565</u>

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	Transfer	<u>Ending Balance</u>
<b>Solid Waste</b>					
Capital assets not being depreciated:					
Land	\$2,080,000	\$ -	\$ -	\$ -	\$2,080,000
Total capital assets not being depreciated	2,080,000	-	-	-	2,080,000
Building	12,000	-	-	-	12,000
Equipment	51,000	-	-	-	51,000
Vehicles	16,545	-	-	-	16,545
Assets at historical cost	79,545	-	-	-	79,545
Total capital assets	2,159,545	-	-	-	2,159,545
Less accumulated depreciation					
Building	6,000	300	-	-	6,300
Equipment	24,000	5,100	-	-	29,100
Vehicles	2,500	1,655	-	-	4,155
Total accumulated depreciation	32,500	7,055	-	-	39,555
Solid waste capital assets, net	2,127,045	(7,055)	-	-	2,119,990
<b>TOTAL BUSINESS TYPE NET CAPITAL ASSETS</b>	<b>\$4,796,808</b>	<b>\$ (130,253)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$4,666,555</b>

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**6. OTHER LIABILITIES:**

A summary of activity of other liabilities is as follows:

	<u>Balance</u> <u>6/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/15</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities					
Other liabilities					
Fire Truck Loan (New Mexico					
Finance Authority 3139-PP)	\$ 137,681	\$ -	\$ -	\$ 137,681	\$ 22,775
Compensated absences	<u>1,481</u>	<u>-</u>	<u>621</u>	<u>860</u>	<u>860</u>
Total other liabilities	<u>139,162</u>	<u>-</u>	<u>621</u>	<u>138,541</u>	<u>23,635</u>
Total	<u>\$ 139,162</u>	<u>\$ -</u>	<u>\$ 621</u>	<u>\$ 138,541</u>	<u>\$ 23,635</u>

	<u>Balance</u> <u>6/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/15</u>	<u>Amounts</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Enterprise Funds					
Other liabilities					
Compensated absences	\$ 160	\$ -	\$ 160	\$ -	\$ -
Total other liabilities	<u>160</u>	<u>-</u>	<u>160</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 160</u>	<u>\$ -</u>	<u>\$ 160</u>	<u>\$ -</u>	<u>\$ -</u>

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

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6. LONG TERM DEBT (CONTINUED)

**NMFA Loan Payable**

In August 2014, the Village entered into a loan agreement with the New Mexico Finance Authority (NMFA). The funds were used to purchase a new fire truck for the village volunteer fire department. The village pledged future revenues from the fire protection Fund revenue distributions made annually to the Village of Roy Volunteer Fire Department. This revenue is subject to an intercept agreement. The original amount of the loan was \$137,681. Interest on the loan varies from 0.2% to 0.84% with a blended rate of 0.300668%. The term of the loan was five years. Principal payments are intercepted on May of each year, interest and NMFA administration fees are due on May and November of each year.

<b>Due in Year Ending</b>				
<b><u>June 30</u></b>	<b><u>Principal</u></b>		<b><u>Interest</u></b>	<b><u>Debt Service</u></b>
2016	\$ 22,775	\$	383	\$ 23,158
2017	22,843		314	23,157
2018	22,912		245	23,157
2019	22,981		176	23,157
2020	23,050		107	23,157
thereafter	<u>23,120</u>		<u>38</u>	<u>23,157</u>
	<u>\$ 137,681</u>	\$	<u>1,263</u>	<u>\$ 138,944</u>

7. PROPERTY TAXES

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

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**8. PUBLIC EMPLOYEE RETIREMENT ASSOCIATION'S PENSION PLAN**

**General Information about the Pension Plan**

**Plan description.**

The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits provided.**

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

**Contributions.**

The contribution requirements of defined benefit plan members and the Village of Roy are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf). The PERA coverage options that apply to Village of Roy is: Municipal General. Statutorily



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required contributions to the pension plan from the Village of Roy were \$3,157 and employer paid member benefits that were "picked up" by the employer were \$ 0 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village of Roy's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2015, Village of Roy reported a liability of \$75,670 for its proportionate share of the net pension liability. At June 30, 2014, the Village of Roy's proportion was 0.0097 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference. For the year ended June 30, 2015, Village of Roy recognized PERA Fund Division Municipal General pension expense of \$3,157. At June 30, 2015, Village of Roy reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred inflows of Resources
Differences between expected and actual experience	-	-
Changes of assumptions	-	51
Net difference between projected and actual earnings on pension plan investments	-	29,604
Changes in proportion and differences between Village of Roy contributions and proportionate share of contributions	-	-
Village of Roy contributions subsequent to the measurement date	<u>7,954</u>	<u>-</u>
Total	<u>\$ 7,954</u>	<u>\$ 29,655</u>

\$7,954 reported as deferred outflows of resources related to pensions resulting from Village of Roy contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Municipal General Division
2016	7,414
2017	7,414
2018	7,414
2019	7,414
2020	-
Thereafter	-

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Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
- Investment rate of return	7.75% annual rate, net of investment expense
-Payroll growth	3.50% annual rate
-Projected salary increases	3.50% to 14.25% annual rate
-Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1 %	5.00 %
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.0 %	

**Discount rate:** The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75 percent assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of Village of Roy's proportionate share of the net pension liability to changes in the discount rate:** The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present Village of Roy's net pension liability in each PERA Fund Division that Village of Roy participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Municipal General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Village of Roy's proportionate share of the net pension liability	\$ 142,656	\$ 75,670	\$ 23,921

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**Payables to the pension plan.** Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124.

**9. POST-EMPLOYMENT BENEFITS**

The Village does not participate in the New Mexico Retiree Health Care Fund.

**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, 2015, 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 \$96,155 as follows:

	<u>Budgeted</u> <u>Expenditures</u>	<u>Actual</u> <u>Expenditures</u>	<u>Excess</u> <u>Expenditures</u>
Fire Fund	\$ 66,196	\$ 169,580	\$ (103,384)
EMS Fund	7,160	9,092	(1,932)
Water and Sewer Fund	<u>125,000</u>	<u>115,839</u>	<u>9,161</u>
Total	<u>\$ 198,356</u>	<u>\$ 294,511</u>	<u>\$ (96,155)</u>

STATE OF NEW MEXICO  
VILLAGE OF ROY  
NOTES TO BASIC FINANCIAL STATEMENTS  
As of and For the Year Ended June 30, 2015

**14. RESTATEMENT**

The prior year audit was unmodified. Audit information was available for the year ending June 30, 2014 and once reconciled, prior period adjustments (restatements) were required. In addition, the implementation of GASB 68 represent a portion of the resatatement. See Note 8. A restatement of \$(172,535) and \$(23,408) was made respectively for governmental and enterprise funds.

	<b>Governmental</b>	<b>Enterprise</b>
Cash error	\$ (765)	\$ -
Fixed asset error	(93,010)	-
Net pension liability	(40,492)	(35,178)
Deferred outflow	4,256	3,697
Deferred inflow	(15,869)	(13,785)
Pension expense	(2,567)	(2,230)
Cemetery	<u>(24,088)</u>	<u>24,088</u>
 TOTAL	 <u>\$ (172,535)</u>	 <u>\$ (23,408)</u>

**15. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 14, 2015, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF ROY  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF MUNICIPAL GENERAL  
DIVISION  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
LAST 10 FISCAL YEARS\*  
FOR THE YEAR ENDED June 30, 2015

	2015
Village of Roy's proportion of the net pension liability	75,670
Village of Roy's proportionate share of the net pension liability	0.0097%
Village of Roy's covered-employee payroll	81,861
Village of Roy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	92.44%
Plan fiduciary net position as a percentage of the total pension liability	81.5%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Village of Roy will present information for those years for which information is available.



STATE OF NEW MEXICO  
VILLAGE OF ROY  
SCHEDULE OF VILLAGE OF ROY'S CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
PERA MUNICIPAL GENERAL DIVISION  
LAST 10 FISCAL YEARS\*  
FOR THE YEAR ENDED June 30, 2015

	2015
Contractually required contribution	7,954
Contributions in relation to the contractually required contribution	7,954
Contribution deficiency (excess)	-
Village of Roy's covered-employee payroll	81,861
Contributions as a percentage of covered-employee payroll	9.72%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Village of Roy will present information for those years for which information is available.

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
VILLAGE OF ROY  
Description of Non-Major Governmental Funds  
As of and For the Year Ended June 30, 2015

**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, 2015

	EMS	Municipal Street Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,155	\$ -	\$ 1,155
Total assets	<u>\$ 1,155</u>	<u>\$ -</u>	<u>\$ 1,155</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:			
Unreserved	1,155	-	1,155
Total fund balance	<u>1,155</u>	<u>-</u>	<u>1,155</u>
Total liabilities and fund balance	<u>\$ 1,155</u>	<u>\$ -</u>	<u>\$ 1,155</u>

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, 2015

	EMS	Municipal Street Fund	Total
<b>REVENUES</b>			
State grant	\$ 10,247	\$ -	\$ 10,247
Miscellaneous	-	24,326	24,326
	10,247	24,326	34,573
<b>EXPENDITURES</b>			
Public safety	9,092	-	9,092
Public works	-	24,326	24,326
	9,092	24,326	33,418
Excess (Deficiency) of revenues over expenditures	1,155	-	1,155
Net change in fund balance	1,155	-	1,155
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ 1,155	\$ -	\$ 1,155

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State grant	\$ 7,160	\$ 7,160	\$ 10,247	\$ 3,087
Total revenues	7,160	7,160	10,247	3,087
<b>EXPENDITURES</b>				
Public safety	<u>7,160</u>	<u>7,160</u>	<u>9,092</u>	<u>(1,932)</u>
Total expenditures	<u>7,160</u>	<u>7,160</u>	<u>9,092</u>	<u>(1,932)</u>
Change in fund balance	-	-	1,155	1,155
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,155</u>	<u>\$ 1,155</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net change in fund balance			\$ 1,155	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Net change in Fund balance - GAAP Basis			<u>\$ 1,155</u>	

STATE OF NEW MEXICO  
VILLAGE OF ROY  
MUNICIPAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED June 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Gross receipts tax	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Gas tax	5,000	5,000	-	(5,000)
Miscellaneous	<u>21,202</u>	<u>21,202</u>	<u>24,326</u>	<u>3,124</u>
Total revenues	28,702	28,702	24,326	(4,376)
<b>EXPENDITURES</b>				
Public works	<u>28,702</u>	<u>28,702</u>	<u>24,326</u>	<u>4,376</u>
Total expenditures	<u>28,702</u>	<u>28,702</u>	<u>24,326</u>	<u>4,376</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ -	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Net change in fund balance - GAAP Basis			<u>\$ -</u>	

**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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and service	\$ 100,000	\$ 100,000	\$ 100,693	\$ 693
Miscellaneous	-	25,000	-	(25,000)
Total revenues	100,000	125,000	100,693	(24,307)
<b>EXPENDITURES</b>				
Financial Administration	100,000	125,000	91,820	33,180
Miscellaneous	-	-	24,019	(24,019)
Total expenditures	100,000	125,000	115,839	9,161
Excess (deficiency) of revenues and other sources/(uses) over expenditures	-	-	(15,146)	(15,146)
Other financing sources/(uses) Transfer in	-	-	-	-
Total other financing sources/(uses)	-	-	-	-
Net change in fund balance	-	-	(15,146)	(15,146)
Fund balance, beginning of year, as previously stated	2,715,358	2,715,358	2,715,358	-
Restatement	-	-	(28,079)	(28,079)
Fund balance beginning of year, as restated	2,715,358	2,715,358	2,687,279	(28,079)
Fund balance, end of year	<u>\$ 2,715,358</u>	<u>\$ 2,715,358</u>	<u>\$ 2,672,133</u>	<u>\$ (43,225)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net change in fund balance			(15,146)	
Revenue accruals			10,184	
Expenditure accruals			<u>(127,596)</u>	
Net change in fund balance - GAAP Basis			<u>(132,558)</u>	

STATE OF NEW MEXICO  
VILLAGE OF ROY  
PROPRIETARY FUND - SOLID WASTE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED June 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and service	\$ 37,000	\$ 37,000	\$ 58,192	\$ 21,192
Miscellaneous	12,500	19,232	-	(19,232)
Gross receipts tax	1,000	1,000	-	(1,000)
Total revenues	50,500	57,232	58,192	960
<b>EXPENDITURES</b>				
Financial Administration	50,500	57,232	44,040	13,192
Depreciation expense	-	-	7,055	(7,055)
Miscellaneous	-	-	-	-
Total expenditures	50,500	57,232	51,095	6,137
Excess (deficiency) of revenues and other sources/(uses) over expenditures	-	-	7,097	7,097
Net change in fund balance	-	-	7,097	7,097
Fund balance, beginning of year, as previously stated	2,144,792	2,144,792	2,144,792	-
Restatement	-	-	(19,417)	(19,417)
Fund balance beginning of year, as restated	2,144,792	2,144,792	2,125,375	(19,417)
Fund balance, end of year	<u>\$ 2,144,792</u>	<u>\$ 2,144,792</u>	<u>\$ 2,132,472</u>	<u>\$ (12,320)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ 7,097	
Revenue accruals			2,785	
Expenditure accruals			<u>(1,895)</u>	
Net change in fund balance - GAAP Basis			<u>\$ 7,987</u>	

STATE OF NEW MEXICO  
VILLAGE OF ROY  
PROPRIETARY FUND - CEMETERY 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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Sales and service	\$ 4,834	\$ 4,834	\$ 650	\$ (4,184)
Total revenues	4,834	4,834	650	(4,184)
<b>EXPENDITURES</b>				
Financial Administration	4,834	4,834	1,826	3,008
Total expenditures	4,834	4,834	1,826	3,008
Net change in fund balance	-	-	(1,176)	(1,176)
Fund balance- beginning of year	24,088	24,088	24,088	-
Fund balance, end of year	<u>\$ 24,088</u>	<u>\$ 24,088</u>	<u>\$ 22,912</u>	<u>\$ (1,176)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net changes in fund balance			\$ (1,176)	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Net change in fund balance - GAAP Basis			<u>\$ (1,176)</u>	

STATE OF NEW MEXICO  
VILLAGE OF ROY  
SCHEDULE OF VENDOR INFORMATION  
FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)  
FOR THE YEART ENDED June 30, 2015

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the Procurement Documentation of ALL Vendor(s) that Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N) For Federal Funds Answer N/A	Brief Description of the Scope of Work
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None Noted

STATE OF NEW MEXICO  
VILLAGE OF ROY  
SCHEDULE OF DEPOSIT ACCOUNTS  
FOR THE YEAR ENDED June 30, 2015

Community First Bank Name of Account	Balance Per Bank 06/30/15	Reconciled Balance	Type
General Fund	\$ 103,710	\$ 51,704	Checking
Fire Protection	67,681	67,681	Checking
Grant Funds	54,668	54,668	Checking
Recreation	24,498	24,498	Checking
EMS	1,155	1,155	Checking
CDBG	273	273	Checking
Water and Sewer	32,675	32,675	Checking
Solid Waste	30,989	30,989	Checking
Cemetery Fund	<u>22,912</u>	<u>22,912</u>	Checking
 Total Deposited	 338,561	 286,555	
Petty Cash	<u>105</u>	<u>105</u>	
 Total Cash	 338,666	 <u>\$ 286,660</u>	
 Less: FDIC Coverage	 <u>(250,000)</u>		
 Uninsured amount	 88,666		
50% collateral requirement	44,333		
Pledged securities	<u>77,413</u>		
 Over (under) requirement	 <u>\$ 33,080</u>		

STATE OF NEW MEXICO  
VILLAGE OF ROY  
SCHEDULE OF PLEDGED COLLATERAL  
FOR THE YEAR ENDED June 30, 2015

The following securities are pledged at:

<u>Description</u>	<u>CUSIP#</u>	<u>Fair Value</u>	<u>Maturity Date</u>	<u>Held By</u>
FNRM	31393UFN8	<u>\$ 77,413</u>	11/25/33	Vining Sparks
		<u>\$ 77,413</u>		

**COMPLIANCE SECTION**



# Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner  
Christine Wright, CPA, Partner  
Beth Fant, EA, Partner  
Brad Beasley, CPA, Partner

**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**

Timothy Keller, 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, 2015, 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 14, 2015.

### **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).

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 item 2014-002 and 2015-001 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.

*Beasley Mitchell & Co LLP*

Beasley, Mitchell & Co.  
Las Cruces, New Mexico  
December 14, 2015

STATE OF NEW MEXICO  
VILLAGE OF ROY  
SUMMARY SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS  
FOR THE YEAR ENDED June 30, 2015

<b>Prior audit findings</b>		<b>Current status</b>
2003-002	Fixed Assets	Repeated and Revised
2003-003	Audit Report Filed Late	Resolved
2005-005	Prior Year Adjustments	Resolved
2014-001	Expenses in Excess of Budget	Repeated and Revised
2014-002	Bank Reconciliations	Repeated and Revised
<b>Current year findings:</b>		
2015-001	Lack of Procurement Officer	

STATE OF NEW MEXICO  
VILLAGE OF ROY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED June 30, 2015

**Capital Assets not compliant with DFA and GASB 34 Requirements (2003-002) - Material Weakness**

<b>CONDITION</b>	<p>The Village is not compliant with the requirement of the New Mexico Administration Code and GASB 34 paragraphs 18 through 22. In past years the Village did not perform physical inventories of capital assets, did not have supporting documentation for capital asset acquisition costs or donated value, and did not compute depreciation expense.</p> <p>For the audit of the year ended June 30, 2015, the Village performed a physical inventory of capital assets and provided a listing of capital assets and their estimated acquisition cost or donated value. However, the Village was still not able to provide supporting documentation for the estimated acquisition cost or donated value. The Village computed depreciation expense for the current fiscal year, but did not adjust the beginning balance of accumulated depreciation to reflect the depreciation that had not been computed or recorded in prior years. The Village has adjusted the estimated remaining lives of the capital assets, and believes the net value of the capital assets is appropriate at June 30, 2015.</p>
<b>CRITERIA</b>	<p>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 be presented net of accumulated depreciation expense, accumulated and current year depreciation must be identified by each major class of assets.</p>
<b>CAUSE</b>	<p>The Village took a capital asset inventory but did not have historical records to determine asset acquisition dates, costs and useful lives.</p>
<b>EFFECT</b>	<p>Failure to maintain 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.</p>
<b>RECOMMENDATION</b>	<p>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 maintain accurate capital asset records.</p>
<b>RESPONSE</b>	<p>The Village will continue to search for supporting documentation for existing capital assets. Going forward, the village will keep records of all additions to capital assets until the capital asset is disposed.</p>

**Expected Completion Date:** 03/31/2016

**Employee Responsible:** Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF ROY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED June 30, 2015

**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, 2015 the Village remitted payments for goods and services in excess of the adopted budget as follows:

	<b>Budgeted</b>	<b>Actual</b>	<b>Excess</b>
	<b>Expenditures</b>	<b>Expenditures</b>	<b>Expenditures</b>
Fire Fund	\$ 66,196	\$ 169,580	\$ (103,384)
EMS Fund	7,160	9,092	(1,932)

Excess expenditures for the fiscal year ended June 30, 2014 were noted in six funds, and totaled over \$435,000. The Village did approve several budget amendment during the fiscal year ended June 30, 2015, however, close to the 2015 fiscal year end Village staff failed to note that the Fire Fund and EMS fund expenditures were over budgeted amounts until it was too late to process a timely budget amendment.

**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.

STATE OF NEW MEXICO  
VILLAGE OF ROY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED June 30, 2015

**RESPONSE**

Schedules will be completed to indicate variances between the Budget and actual amounts. These spreadsheet schedules will ensure that the Village'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.

**Expected Completion Date:** 03/31/2016

**Employee Responsible:** Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF ROY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED June 30, 2015

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

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<b>CONDITION</b>	<p>Bank reconciliations had not been properly performed. During audit testwork, it was noted that there was a difference of \$765.29 between the reconciled bank balance from Community 1st Bank and the Village's cash balance per general ledger.</p> <p>The Village keeps its accounting records in QuickBooks, which does not provide the ability to properly record transactions on a fund basis. The bank reconciliation in QuickBooks agrees to the reconciled bank statement balance, however, there is a difference of \$765.29 between that balance and the cash balances per fund as reported to DFA on a quarterly basis. Because the Village has only two cash accounts in their QuickBooks records, the June 30 DFA report is the support for the individual cash fund balances. For the fiscal year ended June 30, 2014, the reconciliation discrepancy was approximately \$11,977 understated.</p>
<b>CRITERIA</b>	<p>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.</p>
<b>CAUSE</b>	<p>The Village has had disclaimers in prior years and is correcting errors as timely as possible.</p>
<b>EFFECT</b>	<p>Cash was overstated on the financial statements.</p>
<b>RECOMMENDATION</b>	<p>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.</p>
<b>RESPONSE</b>	<p>The Village is looking into the difference and will be reviewing each month's bank reconciliation timely.</p>

**Expected Completion Date:** 03/31/2016

**Employee Responsible:** Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF ROY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED June 30, 2015

**Lack of Procurement Officer (2015-001) - Significant Deficiency**

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<b>CONDITION</b>	During our NM Compliance testwork, it was noted that the Village did not have a Chief Procurement Officer.
<b>CRITERIA</b>	Section 13-1-97 of NMSA 1978 requires that purchases be made through a central purchasing office which properly authorizes and approves the purchase prior to payment. An authorized official should indicate that the goods or services have been received prior to payment for the goods or services
<b>CAUSE</b>	The Village failed to designate and register a purchasing agent.
<b>EFFECT</b>	The Village does not implement a proper purchasing process which exposes the Village to the risk of following an improper purchasing process and increases the risk of errors in payments issued by Village due to the lack of proper supervision and monitoring by the Chief Procurement Officer.
<b>RECOMMENDATION</b>	The Village should designate an agent to become certified and registered as a Chief Procurement Officer for the Village.
<b>RESPONSE</b>	Management has already assigned a Chief Procurement Officer (CPO). The CPO will enroll in classes and will register as the Village Procurement Officer.

**Expected Completion Date:** Recommendation implemented      **Employee Responsible:** Village Clerk

STATE OF NEW MEXICO  
VILLAGE OF ROY  
FINANCIAL STATEMENT PREPARATION  
FOR THE YEAR ENDED June 30, 2015

The financial statements of the Village of Roy as of, and for the year ended, June 30, 2015 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible Village personnel.



STATE OF NEW MEXICO  
VILLAGE OF ROY  
EXIT CONFERENCE  
FOR THE YEAR ENDED June 30, 2015

An entrance conference was conducted September 28, 2015 in a closed meeting of the Village of Roy pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Roy

Matthew Bara	Mayor
Dorothy Hanzen	Deputy Clerk
Ashley Zamora	Clerk/Treasurer

Beasley, Mitchell & Co., LLP

Clark Goding	Audit Manager
Avi Chetry	Staff

An exit conference was conducted October 1, 2015 in a closed meeting of the Village of Roy pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Roy

Matthew Bara	Mayor
Donna Milson	Mayor Pro Tem
Dorothy Hanzen	Deputy Clerk
Ashley Zamora	Clerk/Treasurer

Beasley, Mitchell & Co., LLP

Clark Goding	Audit Manager
Avi Chetry	Staff