

STATE OF NEW MEXICO
VILLAGE OF ROY
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016 AND
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
VILLAGE OF ROY
For the Year Ended JUNE 30, 2016

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STATE OF NEW MEXICO
VILLAGE OF ROY
For the Year Ended JUNE 30, 2016

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STATE OF NEW MEXICO
VILLAGE OF ROY
For the Year Ended JUNE 30, 2016

Board of Trustees

Matthew Baca	Mayor
Donna Sue Milson	Mayor Pro Tem
Herman Martinez	Trustee
Viola June Mahoney	Trustee
Sinforosa Lovato	Trustee

Other Officials

Dorothy Hazen	Clerk/Treasurer
Felicia Lucero	Deputy Clerk



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, major special revenue funds, and fiduciary fund of Village of Roy, as of and for the year ended June 30, 2016, 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, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, major special revenue funds, and fiduciary fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Village of Roy as of June 30, 2016, 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. Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 63 - 69 and GASB 68 10 year schedules on pages 56 - 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2016 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
Las Cruces, New Mexico
December 13, 2016

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF ROY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Primary Government Governmental Activities	Business- type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 222,861	\$ 174,880	\$ 397,741
Cash restricted	10,354	3,544	13,898
Accounts receivable	<u>19,306</u>	<u>16,109</u>	<u>35,415</u>
Total current assets	252,521	194,533	447,054
NONCURRENT ASSETS:			
Capital assets	7,293,748	8,079,303	15,373,051
Less accumulated depreciation	<u>(418,922)</u>	<u>(3,537,204)</u>	<u>(3,956,126)</u>
Total noncurrent assets	<u>6,874,826</u>	<u>4,542,099</u>	<u>11,416,925</u>
Total assets	7,127,347	4,736,632	11,863,979
DEFERRED OUTFLOWS:			
Deferred outflows	<u>3,768</u>	<u>5,206</u>	<u>8,974</u>
Total deferred outflows	<u>3,768</u>	<u>5,206</u>	<u>8,974</u>
Total assets and deferred outflows	<u>\$ 7,131,115</u>	<u>\$ 4,741,838</u>	<u>\$ 11,872,953</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF ROY
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2016

	Primary Government Governmental Activities	Business- type Activities	Total
LIABILITIES AND DEFERRED INFLOWS			
CURRENT LIABILITIES:			
Accrued liabilities and other expenses	\$ 955	\$ -	\$ 955
Accrued interest	-	913	913
Current portion of long-term debt	<u>22,954</u>	<u>-</u>	<u>22,954</u>
Total current liabilities	23,909	913	24,822
LONG TERM LIABILITIES:			
Long term debt	92,219	-	92,219
Net pension liability	34,516	68,462	102,978
GRT payable	-	633	633
Customer deposits	<u>-</u>	<u>3,544</u>	<u>3,544</u>
Total noncurrent liabilities	<u>126,735</u>	<u>72,639</u>	<u>199,374</u>
Total liabilities	150,644	73,552	224,196
DEFERRED INFLOWS:			
Deferred inflows- change in assumption	17	23	40
Deferred inflows - net difference between projected and actual earnings	<u>1,095</u>	<u>1,512</u>	<u>2,607</u>
Total deferred inflows	<u>1,112</u>	<u>1,535</u>	<u>2,647</u>
Total liabilities and deferred inflows	151,756	75,087	226,843
NET POSITION			
Net investment in capital assets	6,736,699	4,542,099	11,278,798
Restricted for			
Special revenues	176,275	-	176,275
Unassigned	<u>66,385</u>	<u>124,652</u>	<u>191,037</u>
Total net position	<u>6,979,359</u>	<u>4,666,751</u>	<u>11,646,110</u>
Total liabilities, deferred inflows and net position	<u>\$ 7,131,115</u>	<u>\$ 4,741,838</u>	<u>\$ 11,872,953</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF ROY
STATEMENT OF ACTIVITIES
June 30, 2016

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	\$ 99,429	\$ 3,611	\$ -	\$ (95,818)	\$ -	\$ (95,818)
Public safety	33,080	-	98,775	65,695	-	65,695
Public works	246,607	-	210,000	(36,607)	-	(36,607)
Unallocated depreciation	54,051	-	-	(54,051)	-	(54,051)
Total governmental activities	433,167	3,611	308,775	(120,781)	-	(120,781)
Business-type activities:						
Water and sewer	186,777	84,228	-	-	(102,549)	(102,549)
Solid waste	63,299	119,589	-	-	56,290	56,290
Cemetery fund	1,216	1,320	-	-	104	104
Total business-type activities	251,292	205,137	-	-	(46,155)	(46,155)
Total primary government	\$ 684,459	\$ 208,748	\$ 308,775	\$ (120,781)	\$ (46,155)	\$ (166,936)
General Revenues:						
Taxes:						
				86,811	-	86,811
				3,042	-	3,042
				5,548	-	5,548
				4,212	-	4,212
				90,000	-	90,000
				45,865	1,911	47,776
				986	-	986
				236,464	1,911	238,375
				115,683	(44,244)	71,439
				6,920,212	4,710,995	11,631,207
				(56,536)	-	(56,536)
				6,863,676	4,710,995	11,574,671
				\$ 6,979,359	\$ 4,666,751	\$ 11,646,110

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, 2016

	General Fund	Fire Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 46,586	\$ 107,684	\$ 42,478	\$ 26,113	\$ 222,861
Cash restricted	10,354	-	-	-	10,354
Taxes receivable	<u>19,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,306</u>
Total assets	<u>\$ 76,246</u>	<u>\$ 107,684</u>	<u>\$ 42,478</u>	<u>\$ 26,113</u>	<u>\$ 252,521</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
LIABILITIES:					
Accrued liabilities and other expenses	<u>\$ 955</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 955</u>
Total liabilities	955	-	-	-	955
DEFERRED INFLOWS:					
Property tax	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94</u>
Total deferred inflows	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94</u>
Total liabilities and deferred inflows	1,049	-	-	-	1,049
FUND BALANCES:					
Unassigned reported in:					
General fund	75,197	-	-	-	75,197
Restricted for special revenue funds	<u>-</u>	<u>107,684</u>	<u>42,478</u>	<u>26,113</u>	<u>176,275</u>
Total fund balances	<u>75,197</u>	<u>107,684</u>	<u>42,478</u>	<u>26,113</u>	<u>251,472</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 76,246</u>	<u>\$ 107,684</u>	<u>\$ 42,478</u>	<u>\$ 26,113</u>	<u>\$ 252,521</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, 2016

Total fund balances for governmental funds		\$ 251,472
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	7,293,748	
Accumulated depreciation	<u>(418,922)</u>	6,874,826
Deferred outflows		3,768
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	(17)	
Difference between projected and actual investment earnings on pension plan investments	<u>(1,095)</u>	(1,112)
Deferred inflows - assets not available to pay for current period expenditures and therefore, are deferred in the funds - property tax		94
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	(115,173)	
Net pension liability	<u>(34,516)</u>	<u>(149,689)</u>
Total net position - governmental activities		<u>\$ 6,979,359</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, 2016

	General Fund	Fire Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Gross receipt taxes	\$ 82,990	\$ -	\$ -	\$ 3,821	\$ 86,811
Gas taxes	544	-	-	5,004	5,548
Property taxes	3,935	-	-	-	3,935
State grants	-	92,775	210,000	6,000	308,775
Small city assistance	90,000	-	-	-	90,000
Charges for services	3,611	-	-	-	3,611
Licenses and permits	3,042	-	-	-	3,042
Interest income	986	-	-	-	986
Miscellaneous	44,135	-	-	1,730	45,865
	<u>229,243</u>	<u>92,775</u>	<u>210,000</u>	<u>16,555</u>	<u>548,573</u>
Total revenues					
EXPENDITURES:					
General government	120,335	-	-	-	120,335
Public safety	-	27,540	-	5,540	33,080
Public works	4,102	-	228,195	14,310	246,607
Debt service:					
Principal	-	22,508	-	-	22,508
Interest	-	199	-	-	199
	<u>124,437</u>	<u>50,247</u>	<u>228,195</u>	<u>19,850</u>	<u>422,729</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	104,806	42,528	(18,195)	(3,295)	125,844
Other financing sources (uses)					
Transfers in	-	-	5,459	5,260	10,719
Transfers out	(10,719)	-	-	-	(10,719)
	<u>(10,719)</u>	<u>-</u>	<u>5,459</u>	<u>5,260</u>	<u>-</u>
Total other sources (uses)					
Net change in fund balance	94,087	42,528	(12,736)	1,965	125,844
Fund balance beginning of year, as previously stated					
	66,110	65,156	55,214	24,148	210,628
Restatement	(85,000)	-	-	-	(85,000)
	<u>(18,890)</u>	<u>65,156</u>	<u>55,214</u>	<u>24,148</u>	<u>125,628</u>
Fund balance at the beginning of year, as restated					
Fund balance end of year	<u>\$ 75,197</u>	<u>\$ 107,684</u>	<u>\$ 42,478</u>	<u>\$ 26,113</u>	<u>\$ 251,472</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF ROY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended JUNE 30, 2016

Net change in fund balances - total governmental funds \$ 125,844

Amount reported for governmental activities in the Statement of Activities are different because:

Deferred inflows- assets not available to pay for current period expenditures and therefore, are deferred in the funds - property tax 277

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 (54,051)

Changes related to net pension liability:

Change in deferred outflows (488)

Change in deferred inflows 14,757

Change in net pension liability 5,976

Payments on long term debt 22,508

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). 860

Change in net position of governmental activities \$ 115,683

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes:				
Gross receipts	\$ 50,000	\$ 50,000	\$ 64,811	\$ 14,811
Property tax	2,841	2,841	3,935	1,094
Gas tax	500	500	544	44
MVD tax	3,900	3,900	-	(3,900)
Charges for services	6,050	6,050	3,611	(2,439)
Other license and permits	1,062	1,062	3,042	1,980
Small cities assistance	90,000	90,000	90,000	-
Interest income	700	700	986	286
Miscellaneous	11,100	11,100	43,008	31,908
	<u>166,153</u>	<u>166,153</u>	<u>209,937</u>	<u>43,784</u>
Total revenues				
EXPENDITURES				
General government				
Executive-Legislative	32,190	32,190	22,143	10,047
Elections	750	750	-	750
Finance & Administration	123,301	123,301	82,777	40,524
Sanitation	9,350	9,350	4,102	5,248
Miscellaneous	24,500	24,500	14,366	10,134
	<u>190,091</u>	<u>190,091</u>	<u>123,388</u>	<u>66,703</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(23,938)</u>	<u>(23,938)</u>	<u>86,549</u>	<u>110,487</u>
Other financing uses				
Transfers out	-	-	(10,719)	(10,719)
	<u>-</u>	<u>-</u>	<u>(10,719)</u>	<u>(10,719)</u>
Total other financing other uses				
Net change in fund balance	(23,938)	(23,938)	75,830	99,768
Fund balance beginning of year	66,110	66,110	66,110	-
Restatement	-	-	(85,000)	(85,000)
	<u>66,110</u>	<u>66,110</u>	<u>(18,890)</u>	<u>(85,000)</u>
Fund balance at the beginning of year as restated				
Fund balance end of year	<u>\$ 42,172</u>	<u>\$ 42,172</u>	<u>\$ 56,940</u>	<u>\$ 99,768</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 (CONTINUED)
For the Year Ended JUNE 30, 2016

Reconciliation of Budgetary Basis to GAAP Basis:

Net changes in fund balance budgetary basis	\$ 75,830
Revenue accruals	19,306
Expenditure accruals	<u>(1,049)</u>
Net change in fund balance - GAAP Basis	<u>\$ 94,087</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Fire allotment	\$ 55,501	\$ 55,501	\$ 92,775	\$ 37,274
Total revenues	55,501	55,501	92,775	37,274
EXPENDITURES				
Public safety	32,794	32,794	27,540	5,254
Debt service				
Principal	22,508	22,508	22,508	-
Interest	<u>199</u>	<u>199</u>	<u>199</u>	<u>-</u>
Total expenditures	55,501	55,501	50,247	5,254
Net change in fund balance	-	-	42,528	42,528
Fund balance beginning of year	<u>65,156</u>	<u>65,156</u>	<u>65,156</u>	<u>-</u>
Fund balance end of year	<u>\$ 65,156</u>	<u>\$ 65,156</u>	<u>\$ 107,684</u>	<u>\$ 42,528</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance			\$ 42,528	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Net change in fund balance - GAAP Basis			<u>\$ 42,528</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State grant	\$ 7,400	\$ 7,400	\$ 210,000	\$ 202,600
Total revenues	7,400	7,400	210,000	202,600
EXPENDITURES				
Public works	<u>7,400</u>	<u>7,400</u>	<u>228,195</u>	<u>(220,795)</u>
Total expenditures	<u>7,400</u>	<u>7,400</u>	<u>228,195</u>	<u>(220,795)</u>
Other financing sources/(uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>5,459</u>	<u>(5,459)</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>5,459</u>	<u>(5,459)</u>
Net change in fund balance	-	-	(12,736)	(12,736)
Fund balance, beginning of year	<u>55,214</u>	<u>55,214</u>	<u>55,214</u>	<u>-</u>
Fund balance, end of year	<u>\$ 55,214</u>	<u>\$ 55,214</u>	<u>\$ 42,478</u>	<u>\$ (12,736)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ (12,736)	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Net change in fund balance - GAAP Basis			<u>\$ (12,736)</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, 2016

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Cemetery Fund</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 66,732	\$ 85,132	\$ 23,016	\$ 174,880
Accounts receivable, net	<u>12,908</u>	<u>3,201</u>	<u>-</u>	<u>16,109</u>
Total current assets	79,640	88,333	23,016	190,989
NON CURRENT ASSETS:				
Customer deposits	3,544	-	-	3,544
Capital assets	5,913,763	2,165,540	-	8,079,303
Less accumulated depreciation	<u>(3,490,395)</u>	<u>(46,809)</u>	<u>-</u>	<u>(3,537,204)</u>
Total noncurrent assets	<u>2,426,912</u>	<u>2,118,731</u>	<u>-</u>	<u>4,545,643</u>
Total assets	\$ 2,506,552	\$ 2,207,064	\$ 23,016	\$ 4,736,632
DEFERRED OUTFLOWS:				
Deferred outflows	<u>3,465</u>	<u>1,741</u>	<u>-</u>	<u>5,206</u>
Total deferred outflows	<u>3,465</u>	<u>1,741</u>	<u>-</u>	<u>5,206</u>
Total assets and deferred outflows	<u>\$ 2,510,017</u>	<u>\$ 2,208,805</u>	<u>\$ 23,016</u>	<u>\$ 4,741,838</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, 2016

	Water and Sewer	Solid Waste	Cemetery Fund	Total
LIABILITIES AND DEFERRED INFLOWS				
CURRENT LIABILITIES:				
Accrued expenses	\$ 206	\$ 707	\$ -	\$ 913
Total current liabilities	206	707	-	913
NON CURRENT LIABILITIES:				
Net pension liability	52,528	15,934	-	68,462
Customer deposits	3,544	-	-	3,544
GRT payable	545	88	-	633
Total noncurrent liabilities	56,617	16,022	-	72,639
Total liabilities	56,823	16,729	-	73,552
DEFERRED INFLOWS:				
Deferred inflows - change in assumption	15	8	-	23
Deferred inflows - net difference between projected and actual earnings	1,007	505	-	1,512
Total deferred inflows	1,022	513	-	1,535
Total liabilities and deferred inflows	57,845	17,242	-	75,087
NET POSITION				
Net investment in capital assets	2,423,368	2,118,731	-	4,542,099
Unrestricted	28,804	72,832	23,016	124,652
Total net position	2,452,172	2,191,563	23,016	4,666,751
Total liabilities, deferred inflows and net position	\$ 2,510,017	\$ 2,208,805	\$ 23,016	\$ 4,741,838

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, 2016

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Cemetery Fund</u>	<u>Total</u>
Operating revenues				
Sales and service	\$ 84,228	\$ 59,205	\$ 1,320	\$ 144,753
Miscellaneous	<u>-</u>	<u>60,384</u>	<u>-</u>	<u>60,384</u>
Total operating revenues	84,228	119,589	1,320	205,137
Operating expenses				
Solid waste expenditure	-	56,045	-	56,045
Financial Administration	63,374	-	1,216	64,590
Depreciation expense	123,197	7,254	-	130,451
Salaries	<u>206</u>	<u>-</u>	<u>-</u>	<u>206</u>
Total operating expenses	<u>186,777</u>	<u>63,299</u>	<u>1,216</u>	<u>251,292</u>
Operating income (loss)	<u>(102,549)</u>	<u>56,290</u>	<u>104</u>	<u>(46,155)</u>
Nonoperating revenues (expenses)				
Grants	<u>-</u>	<u>1,911</u>	<u>-</u>	<u>1,911</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>1,911</u>	<u>-</u>	<u>1,911</u>
Net change in net position	(102,549)	58,201	104	(44,244)
Net Position beginning of year	<u>2,554,721</u>	<u>2,133,362</u>	<u>22,912</u>	<u>4,710,995</u>
Net position, end of year	<u>\$ 2,452,172</u>	<u>\$ 2,191,563</u>	<u>\$ 23,016</u>	<u>\$ 4,666,751</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, 2016

	Water and Sewer	Solid Waste	Cemetery Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from agencies and customers	\$ 111,978	\$ 120,332	\$ 1,320	\$ 233,630
Cash payments to employees for services	-	(359)	-	(359)
Cash paid to suppliers for goods and services	<u>(74,922)</u>	<u>(59,835)</u>	<u>(1,216)</u>	<u>(135,973)</u>
Net cash provided by (used in) operating activities	37,056	60,138	104	97,298
CASH FLOWS FROM CAPITAL ACTIVITIES AND RELATED FINANCING FINANCING ACTIVITIES:				
GRT payments received	<u>545</u>	<u>-</u>	<u>-</u>	<u>545</u>
Net cash provided by capital and related financing activities	<u>545</u>	<u>-</u>	<u>-</u>	<u>545</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment	<u>-</u>	<u>(5,995)</u>	<u>-</u>	<u>(5,995)</u>
Net cash used in investing activities	<u>-</u>	<u>(5,995)</u>	<u>-</u>	<u>(5,995)</u>
NET INCREASE IN CASH	37,601	54,143	104	91,848
CASH, BEGINNING OF YEAR	<u>32,675</u>	<u>30,989</u>	<u>22,912</u>	<u>86,576</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 70,276</u>	<u>\$ 85,132</u>	<u>\$ 23,016</u>	<u>\$ 178,424</u>
SUPPLEMENTARY INFORMATION				
Cash and cash equivalents	\$ 66,732	\$ 85,132	\$ 23,016	\$ 174,880
Restricted cash	<u>3,544</u>	<u>-</u>	<u>-</u>	<u>3,544</u>
Total cash and cash equivalents	<u>\$ 70,276</u>	<u>\$ 85,132</u>	<u>\$ 23,016</u>	<u>\$ 178,424</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, 2016

	<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)	\$ (102,549)	\$ 58,201	\$ 104	\$ (44,244)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	123,197	7,254	-	130,451
Deferred income taxes	(8,407)	(5,352)	-	(13,759)
Changes in assets and liabilities				
Accounts receivable	(3,270)	(416)	-	(3,686)
Accounts payable	(2,972)	(1,358)	-	(4,330)
Accrued expenses and other liabilities	(712)	359	-	(353)
Other liabilities	<u>31,769</u>	<u>1,450</u>	<u>-</u>	<u>33,219</u>
Net cash provided by (used in) operating activities	<u>\$ 37,056</u>	<u>\$ 60,138</u>	<u>\$ 104</u>	<u>\$ 97,298</u>

See independent auditors' report and accompanying notes to financial statements

FIDUCIARY FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF ROY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2016

ASSETS

Current Assets

Cash \$ 12,341

Total assets \$ 12,341

LIABILITIES

Current Liabilities

Deposits held in trust for others \$ 12,341

Total liabilities \$ 12,341

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, 2016

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. Except for the implementation of the infrastructure-modified approach.
- 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.

A. 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. 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:

B. 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. 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)

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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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.

D. 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.

E. 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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.

I. 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.

J. 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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.

L. 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.

M. 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.

N. 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, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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.

O. Net Position (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.

P. 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.

Q. 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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. New Governmental Accounting Standards

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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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. 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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. New Governmental Accounting Standards (continued)

In 2015, GASB issued GASB Statement No. 78, The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

In 2015, GASB issued GASB Statement No. 79, Certain External Investment Pools and Pool Participants. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

In 2016, GASB issued GASB Statement No. 80, Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. New Governmental Accounting Standards (continued)

In 2016, GASB issued GASB Statement No. 81, Irrevocable Split-Interest Agreements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

In 2016, GASB issued GASB Statement No. 82, Pension Issues An Amendment of GASB Statements No. 67, No. 68, and No. 73. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and 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. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

2. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

3. CASH AND INVESTMENTS

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, 2016, the Village's bank balance total, \$524,063, of which \$274,063 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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
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4. RECEIVABLES

Receivables as of June 30, 2016, were as follows:

	Governmental Activities	Business- Type Activities	TOTAL
Accounts receivable	\$ -	\$ 16,109	\$ 16,109
Taxes receivable	19,306	-	19,306
	\$ 19,306	\$ 16,109	\$ 35,415

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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE Year Ended JUNE 30, 2016

5. CAPITAL ASSETS

Changes in Capital Assets-Capital asset activity for the Village's primary government for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deletions	Transfer	Balance June 30, 2016
Government activities:					
Capital assets not being depreciated:					
Land	\$ 45,000	\$ -	\$ -	-	\$ 45,000
Total capital assets not being depreciated	45,000	-	-	-	45,000
Capital Assets, being depreciated					
Infrastructure	6,000,000	-	-	-	6,000,000
Buildings	492,940	-	-	-	492,940
Equipment	151,707	-	-	-	151,707
Vehicles	575,356	28,745	-	-	604,101
Total capital assets, being depreciated	7,220,003	28,745	-	-	7,248,748
Total capital assets	7,265,003	28,745	-	-	7,293,748
Less accumulated depreciation for:					
Infrastructure	-	-	-	-	-
Building	269,032	8,132	-	-	277,164
Equipment	51,395	15,035	-	-	66,430
Vehicles	44,444	30,884	-	-	75,328
Total accumulated depreciation	364,871	54,051	-	-	418,922
Total capital assets, net	\$ 6,900,132	\$ (25,306)	\$ -	\$ -	\$ 6,874,826

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

5. CAPITAL ASSETS (CONTINUED)

Business-type activities:	Beginning				Ending
	Balance	Additions	Deletions	Transfer	Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Water and Sewer					
Capital assets not being depreciated:					
Land	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets not being depreciated	3,000	-	-	-	3,000
Other Capital Assets					
Building	18,940	-	-	-	18,940
Equipment	5,855,194	-	-	-	5,855,194
Vehicles	36,629	-	-	-	36,629
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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>
Less accumulated depreciation					
Buildings	9,474	474	-	-	9,948
Equipment	3,351,226	120,725	-	-	3,471,951
Vehicles	6,498	1,998	-	-	8,496
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total accumulated depreciation	<u>3,367,198</u>	<u>123,197</u>	<u>-</u>	<u>-</u>	<u>3,490,395</u>
Water and sewer capital assets, net	<u>\$2,546,565</u>	<u>\$ (123,197)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,423,368</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	Transfer	<u>Ending Balance</u>
Solid Waste					
Capital assets not being depreciated:					
Land	\$2,080,000	\$ -	\$ -	\$ -	\$ 2,080,000
Total capital assets not being depreciated	2,080,000	-	-	-	2,080,000
Building	12,000	-	-	-	12,000
Equipment	51,000	5,995	-	-	56,995
Vehicles	<u>16,545</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,545</u>
Assets at historical cost	<u>79,545</u>	<u>5,995</u>	<u>-</u>	<u>-</u>	<u>85,540</u>
Total capital assets	<u>2,159,545</u>	<u>5,995</u>	<u>-</u>	<u>-</u>	<u>2,165,540</u>
Less accumulated depreciation					
Building	6,300	300	-	-	6,600
Equipment	29,100	5,300	-	-	34,400
Vehicles	<u>4,155</u>	<u>1,654</u>	<u>-</u>	<u>-</u>	<u>5,809</u>
Total accumulated depreciation	<u>39,555</u>	<u>7,254</u>	<u>-</u>	<u>-</u>	<u>46,809</u>
Solid waste capital assets, net	<u>2,119,990</u>	<u>(1,259)</u>	<u>-</u>	<u>-</u>	<u>2,118,731</u>
TOTAL BUSINESS TYPE NET CAPITAL ASSETS	<u>\$4,666,555</u>	<u>\$ (124,456)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,542,099</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

6. **OTHER LIABILITIES:**

A summary of activity of other liabilities is as follows:

	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/16</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	\$ -	\$ 22,508	\$ 115,173	\$ 22,954
Total	<u>\$ 137,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,173</u>	<u>\$ 22,954</u>

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

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

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.

<u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2017	\$ 22,954	\$ 247	\$ 23,172
2018	23,119	87	23,252
2019	23,050	-	23,085
2020	23,025	-	23,048
2021	<u>23,025</u>	<u>-</u>	<u>23,037</u>
	<u>\$ 115,173</u>	<u>\$ 334</u>	<u>\$ 115,594</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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

8. PUBLIC EMPLOYEE RETIREMENT ASSOCIATION'S PENSION PLAN

General Information about the Pension Plan

Plan description.

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, 2015 available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>.

Contributions.

The contribution requirements of defined benefit plan members and the (name of employer) 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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

8. PUBLIC EMPLOYEE RETIREMENT ASSOCIATION'S PENSION PLAN (CONTINUED)

on pages 29 through 31 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to the Village is Municipal General Division. Statutorily required contributions to the pension plan from the Village were \$5,791 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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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'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, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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, the Village reported a liability of \$102,978 for its proportionate share of the net pension liability. At June 30, 2015, the Village's proportion was 0.0072%, which was unchanged from its proportion measured as of June 30, 2015, due to the insignificance of the difference.

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NOTES TO BASIC FINANCIAL STATEMENTS
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8. PUBLIC EMPLOYEE RETIREMENT ASSOCIATION'S PENSION PLAN (CONTINUED)

For the year ended June 30, 2015, the Village recognized PERA Fund Division Municipal General pension expense of \$2,241 . At June 30, 2015, the Village reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,281
Changes of assumptions	-	40
Net difference between projected and actual earnings on pension plan investments	-	326
Changes in proportion and differences between Village of Roy contributions and proportionate share of contributions	2,383	-
Village of Roy contributions subsequent to the measurement date	<u>6,591</u>	<u>-</u>
Total	<u>\$ 8,974</u>	<u>\$ 2,647</u>

\$6,591 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:

STATE OF NEW MEXICO
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NOTES TO BASIC FINANCIAL STATEMENTS
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8. PUBLIC EMPLOYEE RETIREMENT ASSOCIATION'S PENSION PLAN (CONTINUED)

Year Ended June 30:	Municipal General Division
2016	(2,727)
2017	(2,727)
2018	(2,727)
2019	5,536

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, 2014 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, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

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:

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	<u>4.0</u>	4.15
Total	100.0 %	

STATE OF NEW MEXICO
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NOTES TO BASIC FINANCIAL STATEMENTS
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8. PUBLIC EMPLOYEE RETIREMENT ASSOCIATION'S PENSION PLAN (CONTINUED)

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:

Actuarial valuation date	June 30, 2014
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
Projected benefit payment	100 years
-Payroll growth	3.50% annual rate
-Projected salary increases	3.50% to 14.25% annual rate
-Includes inflation at	3.00% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013

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.

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VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

8. PUBLIC EMPLOYEE RETIREMENT ASSOCIATION'S PENSION PLAN (CONTINUED)

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	\$ 175,331	\$ 102,978	\$ 42,822

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2016

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. 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 \$330,771 as follows:

	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
Grants Fund	7,400	228,195	(220,795)
Water and Sewer Fund	80,000	186,777	(106,777)
Solid Waste Fund	60,100	63,299	(3,199)
 Total	\$ 147,500	\$ 478,271	\$ (330,771)

13. RESTATEMENT

The prior year audit was unmodified. Audit information was available for the year ending June 30, 2016 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 \$(56,536) and \$- was made respectively for governmental and enterprise funds.

	Governmental
Cash error	\$ (85,000)
Fixed asset error	28,464
 TOTAL	\$ (56,536)

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2016, 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, 2016

	<u>2016</u>	<u>2015</u>
Village of Roy's proportion of the net pension liability	102,978	75,670
Village of Roy's proportionate share of the net pension liability	0.0097%	0.0101%
Village of Roy's covered-employee payroll	70,615	81,861
Village of Roy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	145.83%	92.44%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

*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, 2016

	<u>2016</u>	<u>2015</u>
Contractually required contribution	6,591	7,693
Contributions in relation to the contractually required contribution	<u>6,591</u>	<u>7,693</u>
Contribution deficiency (excess)	-	-
Village of Roy's covered-employee payroll	<u>70,615</u>	<u>81,861</u>
Contributions as a percentage of covered-employee payroll	<u>9.33%</u>	<u>9.40%</u>

* 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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes of benefit terms- The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 on pages 40-42 of the PERA FY15 audit available at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf.

Changes of assumptions- The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2015 is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See Appendix B on pages 53 - 61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumptions resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
VILLAGE OF ROY
Description of Non-Major Governmental Funds
As of and For the Year Ended JUNE 30, 2016

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-I through NMSA 24-10A-I0).

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.

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.

See independent auditors' report

STATE OF NEW MEXICO
VILLAGE OF ROY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	<u>EMS</u>	<u>Recreation</u>	<u>Municipal Street Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,615	\$ 24,498	\$ -	\$ 26,113
Total assets	<u>1,615</u>	<u>24,498</u>	<u>-</u>	<u>26,113</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Unreserved	<u>1,615</u>	<u>24,498</u>	<u>-</u>	<u>26,113</u>
Total fund balance	<u>1,615</u>	<u>24,498</u>	<u>-</u>	<u>26,113</u>
Total liabilities and fund balance	<u>\$ 1,615</u>	<u>\$ 24,498</u>	<u>\$ -</u>	<u>\$ 26,113</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, 2016

	<u>EMS</u>	<u>Recreation</u>	<u>Municipal Street Fund</u>	<u>Total</u>
REVENUES				
Gas tax	\$ -	\$ -	\$ 5,004	\$ 5,004
State grant	6,000	-	-	6,000
Gross receipts tax	-	-	3,821	3,821
Miscellaneous	-	1,505	225	1,730
Total revenues	<u>6,000</u>	<u>1,505</u>	<u>9,050</u>	<u>16,555</u>
EXPENDITURES				
Public safety	5,540	-	-	5,540
Public works	-	-	14,310	14,310
Total expenditures	<u>5,540</u>	<u>-</u>	<u>14,310</u>	<u>19,850</u>
Excess (Deficiency) of revenues over expenditures	<u>460</u>	<u>1,505</u>	<u>(5,260)</u>	<u>(3,295)</u>
Other financing sources (uses)				
Transfers in (out)	-	-	5,260	5,260
Total other sources (uses)	<u>-</u>	<u>-</u>	<u>5,260</u>	<u>5,260</u>
Net change in fund balance	460	1,505	-	1,965
Fund balance, beginning of year	<u>1,155</u>	<u>22,993</u>	<u>-</u>	<u>24,148</u>
Fund balance, end of year	<u>\$ 1,615</u>	<u>\$ 24,498</u>	<u>\$ -</u>	<u>\$ 26,113</u>

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State grant	\$ 7,500	\$ 7,500	\$ 6,000	\$ (1,500)
Total revenues	7,500	7,500	6,000	(1,500)
EXPENDITURES				
Public safety	7,500	7,500	5,540	1,960
Total expenditures	7,500	7,500	5,540	1,960
Change in fund balance	-	-	460	460
Fund balance, beginning of year	-	-	1,155	(1,155)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,615</u>	<u>\$ (695)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net change in fund balance			\$ 460	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Net change in Fund balance - GAAP Basis			<u>\$ 460</u>	

STATE OF NEW MEXICO
VILLAGE OF ROY
RECREATION 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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Miscellaneous	-	-	1,505	1,505
Total revenues	-	-	1,505	1,505
EXPENDITURES				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	1,505	1,505
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 1,505	\$ 1,505

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	\$ 1,505
Revenue accruals	-
Expenditure accruals	-
Net change in fund balance - GAAP Basis	\$ 1,505

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Gross receipts tax	\$ 1,900	\$ 1,900	\$ 3,821	\$ 1,921
Gas tax	6,400	6,400	5,004	(1,396)
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>225</u>	<u>(14,775)</u>
Total revenues	23,300	23,300	9,050	(14,250)
EXPENDITURES				
Public works	<u>17,841</u>	<u>17,841</u>	<u>14,310</u>	<u>3,531</u>
Total expenditures	<u>17,841</u>	<u>17,841</u>	<u>14,310</u>	<u>3,531</u>
Excess (deficiency) of revenues and other sources/(uses) over expenditures	5,459	5,459	(5,260)	(10,719)
Other financing sources/(uses) Transfers in	<u>-</u>	<u>-</u>	<u>5,260</u>	<u>5,260</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>5,260</u>	<u>5,260</u>
Net change in fund balance	5,459	5,459	-	(5,459)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,459</u>	<u>\$ 5,459</u>	<u>\$ -</u>	<u>\$ (5,459)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 80,000	\$ 80,000	\$ 84,228	\$ 4,228
Total revenues	80,000	80,000	84,228	4,228
EXPENDITURES				
Financial Administration	80,000	80,000	63,374	16,626
Depreciation expense	-	-	123,197	(123,197)
Salaries	-	-	206	(206)
Total expenditures	<u>80,000</u>	<u>80,000</u>	<u>186,777</u>	<u>(106,777)</u>
Excess (deficiency) of revenues and other sources/(uses) over expenditures	-	-	(102,549)	(102,549)
Other financing sources/(uses) Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(102,549)	(102,549)
Fund balance, beginning of year, as previously stated	2,554,721	2,554,721	2,554,721	-
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance beginning of year, as restated	<u>2,554,721</u>	<u>2,554,721</u>	<u>2,554,721</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,554,721</u>	<u>\$ 2,554,721</u>	<u>\$ 2,452,172</u>	<u>\$ (102,549)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net change in fund balance			(102,549)	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Net change in fund balance - GAAP Basis			<u>(102,549)</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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 46,000	\$ 46,000	\$ 59,205	\$ 13,205
Miscellaneous	12,500	12,500	60,384	47,884
Grants	1,600	1,600	1,911	311
Total revenues	60,100	60,100	121,500	61,400
EXPENDITURES				
Financial Administration	60,100	60,100	56,045	4,055
Depreciation expense	-	-	7,254	(7,254)
Total expenditures	60,100	60,100	63,299	(3,199)
Excess (deficiency) of revenues and other sources/(uses) over expenditures	-	-	58,201	58,201
Net change in fund balance	-	-	58,201	58,201
Fund balance, beginning of year, as previously stated	2,133,362	2,133,362	2,133,362	-
Restatement	-	-	-	-
Fund balance beginning of year, as restated	2,133,362	2,133,362	2,133,362	-
Fund balance, end of year	\$ 2,133,362	\$ 2,133,362	\$ 2,191,563	\$ 58,201
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 58,201	
Revenue accruals			-	
Expenditure accruals			-	
Net change in fund balance - GAAP Basis			\$ 58,201	

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, 2016

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Sales and service	\$ 500	\$ 500	\$ 1,320	\$ 820
Total revenues	500	500	1,320	820
EXPENDITURES				
Financial Administration	3,246	3,246	1,216	2,030
Total expenditures	3,246	3,246	1,216	2,030
Net change in fund balance	(2,746)	(2,746)	104	2,850
Fund balance- beginning of year	22,912	22,912	22,912	-
Fund balance, end of year	\$ 20,166	\$ 20,166	\$ 23,016	\$ 2,850

Reconciliation of Budgetary Basis to GAAP Basis

Net changes in fund balance	\$ 104
Revenue accruals	-
Expenditure accruals	-
Net change in fund balance - GAAP Basis	\$ 104

STATE OF NEW MEXICO
 VILLAGE OF ROY
 SCHEDULE OF VENDOR INFORMATION
 FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
 FOR THE YEART ENDED JUNE 30, 2016

RFB#/RFP#	Type of Procurement	Awarded Vendor	Date Contract Signed	\$ 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 CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2016

Beginnig Cash	\$ -
Additions	12,341
Deletions	<u>-</u>
Ending Cash	<u>\$ 12,341</u>
Beginnig Liabilities	\$ -
Additions	12,341
Deletions	<u>-</u>
Ending Liabilities	<u>\$ 12,341</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2016

Community First Bank Name of Account	Balance Per Bank 06/30/16	Reconciled Balance	Type
General Fund	\$ 245,699	\$ 56,835	Checking
Fire Protection	107,684	107,684	Checking
Grant Funds	42,478	42,478	Checking
Recreation	24,498	24,498	Checking
EMS	1,615	1,615	Checking
Water and Sewer	66,732	70,276	Checking
Solid Waste	85,132	85,132	Checking
Agency Fund	12,341	12,341	Checking
Cemetery Fund	<u>23,016</u>	<u>23,016</u>	Checking
 Total Deposited	 524,063	 423,875	
Petty Cash	<u>105</u>	<u>105</u>	
 Total Cash	 524,168	 <u>\$ 423,980</u>	
 Less: FDIC Coverage	 <u>(250,000)</u>		
 Uninsured amount	 274,168		
50% collateral requirement	137,084		
Pledged securities	<u>57,768</u>		
 Over (under) requirement	 <u>\$ (79,316)</u>		
 Governmental Cash	 \$ 222,861		
Governmental Cash - Restricted	10,354		
Business Cash	174,880		
Business Cash - Restricted	3,544		
Agency Cash	<u>12,341</u>		
 Total	 <u><u>\$ 423,980</u></u>		

STATE OF NEW MEXICO
 VILLAGE OF ROY
 SCHEDULE OF PLEDGED COLLATERAL
 FOR THE YEAR ENDED JUNE 30, 2016

The following securities are pledged at:

Description	CUSIP#	Fair Value	Maturity Date	Held By
FNRM	31393UFN8	<u>\$ 57,768</u>	11/25/33	Vining Sparks
		<u>\$ 57,768</u>		

COMPLIANCE SECTION



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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, 2016, 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 13, 2016.

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, 2016-001, 2016-002 and 2016-003 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.
Las Cruces, New Mexico
December 13, 2016

STATE OF NEW MEXICO
VILLAGE OF ROY
SUMMARY SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Prior audit findings		Current status
2003-002	Fixed Assets	Repeated and Revised
2014-001	Expenses in Excess of Budget	Repeated and Revised
2014-002	Bank Reconciliations	Repeated and Revised
2015-001	Lack of Procurement Officer	Resolved
Current year findings:		
2016-001	Cash Deposit in Bank Daily	New
2016-002	Pledge Collateral	New
2016-003	Per Diem	New

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

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

CONDITION	<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, 2016, 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, 2016.</p>
CRITERIA	<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>
CAUSE	<p>The Village took a capital asset inventory but did not have historical records to determine asset acquisition dates, costs and useful lives.</p>
EFFECT	<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>
RECOMMENDATION	<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>
RESPONSE	<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: 03/31/2017

Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

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

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, 2016 the Village remitted payments for goods and services in excess of the adopted budget as follows:

	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
Water Fund	\$ 80,000	\$ 186,777	\$ (106,777)
Solid Waste Fund	60,100	63,299	(3,199)
Grant Fund	7,400	228,195	(220,795)
Total	147,500	478,271	(330,771)

Excess expenditures for the fiscal year ended June 30, 2016 were noted in six funds, and totaled over \$348,667. The Village did approve several budget amendment during the fiscal year ended June 30, 2016, however, close to the 2016 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, 2016

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

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: 03/31/2017

Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Bank reconciliations (2014-002) - Significant Deficiency

CONDITION	<p>Bank reconciliations had not been properly performed. During audit testwork, it was noted that there was a difference of \$85,000 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 \$85,000 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, 2015, the reconciliation discrepancy was approximately \$765.29 understated.</p>
CRITERIA	<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>
CAUSE	<p>The Village has had disclaimers in prior years and is correcting errors as timely as possible.</p>
EFFECT	<p>Cash was overstated on the financial statements.</p>
RECOMMENDATION	<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>
RESPONSE	<p>The Village is looking into the difference and will be reviewing each month's bank reconciliation timely.</p>

Expected Completion Date: 03/31/2017

Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016

Cash deposit in bank daily (2016-001) - Significant Deficiency

CONDITION	A surprise cash register count was conducted on September 21st 2016 by Beasley, Mitchell & Co. (BMC). As per the Village's internal report (VOR Daily Cash Balance Sheet), while conducting the surprise cash count, BMC noticed that the Deputy has cash and checks for prior days which were not deposited in the bank.
CRITERIA	Per Section 6.20.2.14 of NMAC, money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. The entity must establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirement of the applicable state and federal laws and regulations.
CAUSE	The Village failed to deposit the cash received in the bank within twenty-four (24) hours or in a reasonable period, because there is no local bank.
EFFECT	Keeping cash on hand may expose the Village to the risk of error, fraud, waste or abuse of cash.
RECOMMENDATION	The Village should deposit the cash daily or when reasonably possible.
RESPONSE	The Village is working on obtaining permission to deposit funds twice a week, instead of daily since there is no bank in the area.

Expected Completion Date: December 2016 **Employee Responsible:** Village Clerk

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2016

Pledge Collateral (2016-002) - Significant Deficiency

CONDITION	During the year ended June 30, 2016, the Village maintained and utilized deposits with financial institutions which were not covered by 50% of pledged collateral by State of New Mexico Statutes. As of June 30, 2016 the under collateralization at the institutions totaled \$79,316.
CRITERIA	According to NMAC 2.2.2.10 N. (4) (b), it required entities to obtain pledge collateral from financial institutions in the amount of 50% of deposit exceeding the \$250,000 FDIC insurance.
CAUSE	The Village maintained deposit accounts in amounts in excess of FDIC Coverage without properly holding pledged collateral for the Authority.
EFFECT	Lack of proper collateralization may result in non-compliance with state statutes and increase potential liability and exposure to the loss of the Village's public funds in the event of bank closure.
RECOMMENDATION	The Village should ensure all cash balances are collateralized as required by State Statutes. An individual could be assigned the responsibilities of reviewing the monthly collateral reports, investigating differences, and resolving discrepancies.
RESPONSE	The Village is working with the bank to make sure cash is appropriately collateralized.

Expected Completion Date: December 2016

Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2016

Per Diem (2016-003) - Significant Deficiency

CONDITION	During the per diem test work, it was noted that water department employee, who is employee in the Village, traveled to Farmington for training. The employee spent approximately \$90 over the allowable limit because his wife traveled with him due to personal reasons. The Village reimbursed the employee for \$180.22 by error.
CRITERIA	NMAC 2.2.10 G (2) requires the Authority to comply with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, for all per diem and reimbursement rates.
CAUSE	The Village reimbursed the employee over the acceptable limit per NMAC 2.2.10 G (2), because the Village did not know that the payment for the employees spouse was unallawed. .
EFFECT	The Village is not in compliance with the NMAC 2.2.10 G (2).
RECOMMENDATION	The Village should ensure employees are adequately trained with regards to the NMAC.
RESPONSE	The Village is working on the per diem approval process to ensure per diem approval is accurate.

Expected Completion Date: December 2016

Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2016

The financial statements of the Village of Roy as of, and for the year ended, June 30, 2016 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, 2016

An entrance conference was conducted September 19, 2016 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
Felicia Lucero

Mayor
Deputy Clerk

Beasley, Mitchell & Co., LLP

Dahlia Garcia
Amr Sakka
Robert Garcia

Audit Senior
Audit Staff
Clerical Staff

An exit conference was conducted September 22, 2016 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
Donna Milson
Felicia Lucero

Mayor
Mayor Pro Tem
Deputy Clerk

Beasley, Mitchell & Co., LLP

Dahlia Garcia
Amr Sakka
Robert Garcia

Audit Senior
Audit Staff
Clerical Staff