

STATE OF NEW MEXICO
VILLAGE OF ROY
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018 AND
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
VILLAGE OF ROY
For the Year Ended JUNE 30, 2018

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VILLAGE OF ROY
For the Year Ended JUNE 30, 2018

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STATE OF NEW MEXICO
VILLAGE OF ROY
For the Year Ended JUNE 30, 2018

Board of Trustees

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

Other Officials

Dorothy Hazen	Clerk/Treasurer
Felicia Lucero	Deputy Clerk



INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson
Office of the State Auditor
and the Mayor and City Council of the
Village of Roy, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, aggregate remaining fund information, and the budgetary comparisons for the general fund, and major special revenue funds of Village of Roy, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements 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.

Basis for Qualified Opinion

The Village has not maintained a complete capital assets subsidiary ledger to support reported capital assets reported in the financial statements. Additionally, the Village has not performed a physical inventory to reconcile assets on hand and those recorded in the subsidiary ledger. Accounting principles generally accepted in the United States of America require that governmental entities report all capital assets including, but not limited to, general infrastructure assets. Further, government entities are required to depreciate appropriate assets owned and maintained. As a result of poorly maintained capital assets subsidiary ledger, we were unable to ascertain the completeness and proper recording of transactions and depreciation that affect the financial statements.

The Village does not keep track of cash belonging to individual funds. Various funds have overstated cash. The cash value of the error cannot be determined due to inadequate supporting documentation.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraphs, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Village of Roy as of June 30, 2018, and the respective changes in financial position for all non major 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 GASB 68 10 year schedules on pages 51 - 52 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 any other schedule required by the Audit Rule that collectively comprise the Village of Roy's basic financial statements. The combining and individual nonmajor fund financial statements and any other schedule required by the Audit Rule 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of Village of Roy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village of Roy's internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
December 14, 2018

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF ROY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Primary Government Governmental Activities	Business- type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 359,539	\$ 160,095	\$ 519,634
Cash restricted	10,521	6,879	17,400
Due from other funds	35,000	-	35,000
Accounts receivable	<u>203,973</u>	<u>13,545</u>	<u>217,518</u>
Total current assets	609,033	180,519	789,552
NONCURRENT ASSETS:			
Capital assets	8,727,483	8,012,416	16,739,899
Less accumulated depreciation	<u>(776,970)</u>	<u>(5,804,334)</u>	<u>(6,581,304)</u>
Total noncurrent assets	<u>7,950,513</u>	<u>2,208,082</u>	<u>10,158,595</u>
Total assets	8,559,546	2,388,601	10,948,147
DEFERRED OUTFLOWS:			
Deferred outflows	<u>17,935</u>	<u>16,527</u>	<u>34,462</u>
Total deferred outflows	<u>17,935</u>	<u>16,527</u>	<u>34,462</u>
Total assets and deferred outflows	<u>\$ 8,577,481</u>	<u>\$ 2,405,128</u>	<u>\$ 10,982,609</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, 2018

	Primary Government Governmental Activities	Business- type Activities	Total
LIABILITIES AND DEFERRED INFLOWS			
CURRENT LIABILITIES:			
Accounts payable	\$ 150,214	\$ -	\$ 150,214
Accrued liabilities and other expenses	1,800	-	1,800
Accrued interest	-	2,157	2,157
Due to other funds	-	35,000	35,000
Current portion of long-term debt	<u>23,050</u>	<u>-</u>	<u>23,050</u>
Total current liabilities	175,064	37,157	212,221
LONG TERM LIABILITIES:			
Long term debt	46,050	-	46,050
Net pension liability	26,666	99,750	126,416
GRT payable	-	923	923
Customer deposits	<u>-</u>	<u>6,879</u>	<u>6,879</u>
Total noncurrent liabilities	<u>72,716</u>	<u>107,552</u>	<u>180,268</u>
Total liabilities	247,780	144,709	392,489
DEFERRED INFLOWS:			
Deferred inflows- change in assumption	4,296	3,958	8,254
Deferred inflows - net difference between projected and actual earnings	<u>3,370</u>	<u>3,105</u>	<u>6,475</u>
Total deferred inflows	<u>7,666</u>	<u>7,063</u>	<u>14,729</u>
Total liabilities and deferred inflows	255,446	151,772	407,218
NET POSITION			
Net investment in capital assets	7,858,363	2,208,082	10,066,445
Restricted for			
Special revenues	230,512	-	230,512
General Fund	10,521	-	10,521
Unassigned	<u>222,639</u>	<u>45,274</u>	<u>267,913</u>
Total net position	<u>8,322,035</u>	<u>2,253,356</u>	<u>10,575,391</u>
Total liabilities, deferred inflows and net position	<u>\$ 8,577,481</u>	<u>\$ 2,405,128</u>	<u>\$ 10,982,609</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF ROY
STATEMENT OF ACTIVITIES
June 30, 2018

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	\$ 104,439	\$ 14,450	\$ -	\$ (89,989)	\$ -	\$ (89,989)
Public safety	59,850	-	82,118	22,268	-	22,268
Public works	523,109	-	530,407	7,298	-	7,298
Unallocated depreciation	51,519	-	-	(51,519)	-	(51,519)
Total governmental activities	738,917	14,450	612,525	(111,942)	-	(111,942)
Business-type activities:						
Water and sewer	103,725	90,864	-	-	(12,861)	(12,861)
Solid waste	97,722	72,652	-	-	(25,070)	(25,070)
Cemetery fund	54	500	-	-	446	446
Total business-type activities	201,501	164,016	-	-	(37,485)	(37,485)
Total primary government	\$ 940,418	\$ 178,466	\$ 612,525	(111,942)	(37,485)	(149,427)
General Revenues:						
Taxes:						
				51,590	-	51,590
				1,260	-	1,260
				6,260	-	6,260
				44,528	-	44,528
				3,043	-	3,043
				3,014	-	3,014
				90,000	-	90,000
				14,489	-	14,489
				1,603	-	1,603
				215,787	-	215,787
				103,845	(37,485)	66,360
				7,259,160	4,540,356	11,799,516
				959,030	(2,249,515)	(1,290,485)
				8,218,190	2,290,841	10,509,031
				\$ 8,322,035	\$ 2,253,356	\$ 10,575,391

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, 2018

	General Fund	Fire Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 199,027	\$ 125,907	\$ 5,059	\$ 29,546	\$ 359,539
Cash restricted	10,521	-	-	-	10,521
Due from other funds	-	-	35,000	-	35,000
Accounts receivable	<u>18,759</u>	<u>-</u>	<u>185,214</u>	<u>-</u>	<u>203,973</u>
Total assets	<u>\$ 228,307</u>	<u>\$ 125,907</u>	<u>\$ 225,273</u>	<u>\$ 29,546</u>	<u>\$ 609,033</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ 150,214	\$ -	\$ 150,214
Accrued liabilities and other expenses	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800</u>
Total liabilities	1,800	-	150,214	-	152,014
DEFERRED INFLOWS:					
Property tax	<u>159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159</u>
Total deferred inflows	<u>159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159</u>
Total liabilities and deferred inflows	1,959	-	150,214	-	152,173
FUND BALANCES:					
Unassigned reported in:					
General fund	215,827	-	-	-	215,827
Restricted for General fund	10,521	-	-	-	10,521
Restricted for special revenue funds	<u>-</u>	<u>125,907</u>	<u>75,059</u>	<u>29,546</u>	<u>230,512</u>
Total fund balances	<u>226,348</u>	<u>125,907</u>	<u>75,059</u>	<u>29,546</u>	<u>456,860</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 228,307</u>	<u>\$ 125,907</u>	<u>\$ 225,273</u>	<u>\$ 29,546</u>	<u>\$ 609,033</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, 2018

Total fund balances for governmental funds		\$ 456,860
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	8,727,483	
Accumulated depreciation	<u>(776,970)</u>	7,950,513
Deferred outflows		17,935
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	(4,296)	
Difference between projected and actual investment earnings on pension plan investments	<u>(3,370)</u>	(7,666)
Deferred inflows - assets not available to pay for current period expenditures and therefore, are deferred in the funds - property tax		159
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	(69,100)	
Net pension liability	<u>(26,666)</u>	<u>(95,766)</u>
Total net position - governmental activities		<u>\$ 8,322,035</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, 2018

	General Fund	Fire Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Gross receipt taxes	\$ 48,361	\$ -	\$ -	\$ 3,229	\$ 51,590
Gas taxes	2,090	-	-	4,170	6,260
Property taxes	3,039	-	-	-	3,039
State grants	44,528	74,998	530,407	7,120	657,053
Small city assistance	90,000	-	-	-	90,000
Charges for services	14,450	-	-	-	14,450
Federal grants	3,043	-	-	-	3,043
Licenses and permits	1,260	-	-	-	1,260
Interest income	1,603	-	-	-	1,603
Miscellaneous	14,489	-	-	-	14,489
	<u>222,863</u>	<u>74,998</u>	<u>530,407</u>	<u>14,519</u>	<u>842,787</u>
Total revenues	222,863	74,998	530,407	14,519	842,787
EXPENDITURES:					
General government	106,543	-	-	-	106,543
Public safety	-	52,730	-	7,120	59,850
Public works	-	-	495,407	27,702	523,109
Debt service:					
Principal	-	23,119	-	-	23,119
Interest	-	174	-	-	174
	<u>106,543</u>	<u>76,023</u>	<u>495,407</u>	<u>34,822</u>	<u>712,795</u>
Total expenditures	106,543	76,023	495,407	34,822	712,795
Excess (deficiency) of revenues over expenditures	116,320	(1,025)	35,000	(20,303)	129,992
Net change in fund balance	116,320	(1,025)	35,000	(20,303)	129,992
Fund balance at the beginning of year	<u>110,028</u>	<u>126,932</u>	<u>40,059</u>	<u>49,849</u>	<u>326,868</u>
Fund balance end of year	<u>\$ 226,348</u>	<u>\$ 125,907</u>	<u>\$ 75,059</u>	<u>\$ 29,546</u>	<u>\$ 456,860</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, 2018

Net change in fund balances - total governmental funds \$ 129,992

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 (25)

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	(51,519)
Changes related to net pension liability:	
Change in deferred outflows	(4,451)
Change in deferred inflows	(1,950)
Change in net pension liability	8,679
Payments on long term debt	<u>23,119</u>

Change in net position of governmental activities \$ 103,845

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF ROY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
For the Year Ended JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Taxes:				
Gross receipts	\$ 32,000	\$ 32,000	\$ 32,662	\$ 662
Property tax	2,535	2,535	3,039	504
Gas tax	1,750	1,750	1,058	(692)
Charges for services	5,350	5,350	14,467	9,117
Other license and permits	1,162	1,162	1,260	98
Small cities assistance	90,000	90,000	90,000	-
Stat grant	35,050	35,050	44,528	9,478
Federal grant	-	-	3,043	3,043
Interest income	1,200	1,200	1,603	403
Miscellaneous	5,800	15,223	12,603	(2,620)
Total revenues	174,847	184,270	204,263	19,993
EXPENDITURES				
General government				
Executive-legislative	32,232	32,232	26,311	5,921
Finance & administration	124,559	124,559	54,263	70,296
Miscellaneous	21,991	31,234	24,169	7,065
Total expenditures	178,782	188,025	104,743	83,282
Excess (deficiency) of revenues over expenditures	(3,935)	(3,755)	99,520	103,275
Net change in fund balance	(3,935)	(3,755)	99,520	103,275
Fund balance at the beginning of year	110,028	110,028	110,028	-
Fund balance end of year	\$ 106,093	\$ 106,273	\$ 209,548	\$ 103,275
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance budgetary basis			\$ 99,520	
Revenue accruals			18,759	
Expenditure accruals			(1,959)	
Net change in fund balance - GAAP Basis			\$ 116,320	

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
FIRE FUND
For the Year Ended JUNE 30, 2018

	<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	\$ 74,998	\$ 19,497
Total revenues	55,501	55,501	74,998	19,497
EXPENDITURES				
Public safety	140,501	140,501	52,730	87,771
Debt service				
Principal	-	-	23,119	(23,119)
Interest	-	-	174	(174)
Total expenditures	140,501	140,501	76,023	64,478
Net change in fund balance	(85,000)	(85,000)	(1,025)	83,975
Fund balance beginning of year	<u>126,932</u>	<u>126,932</u>	<u>126,932</u>	<u>-</u>
Fund balance end of year	<u>\$ 41,932</u>	<u>\$ 41,932</u>	<u>\$ 125,907</u>	<u>\$ 83,975</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance			<u>\$ (1,025)</u>	
Net change in fund balance - GAAP Basis			<u>\$ (1,025)</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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State grant	\$ 540,000	\$ 540,000	\$ 530,407	\$ (9,593)
Total revenues	540,000	540,000	530,407	(9,593)
EXPENDITURES				
Public works	<u>540,000</u>	<u>540,000</u>	<u>495,407</u>	<u>44,593</u>
Total expenditures	<u>540,000</u>	<u>540,000</u>	<u>495,407</u>	<u>44,593</u>
Net change in fund balance	-	-	35,000	35,000
Fund balance, beginning of year	<u>40,059</u>	<u>40,059</u>	<u>40,059</u>	<u>-</u>
Fund balance, end of year	<u>\$ 40,059</u>	<u>\$ 40,059</u>	<u>\$ 75,059</u>	<u>\$ 35,000</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 35,000	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Net change in fund balance - GAAP Basis			<u>\$ 35,000</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, 2018

	<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	\$ 77,286	\$ 58,007	\$ 24,802	\$ 160,095
Accounts receivable, net	<u>10,201</u>	<u>3,344</u>	<u>-</u>	<u>13,545</u>
Total current assets	87,487	61,351	24,802	173,640
NON CURRENT ASSETS:				
Customer deposits - cash	6,879	-	-	6,879
Capital assets	5,717,556	2,294,860	-	8,012,416
Less accumulated depreciation	<u>(5,656,965)</u>	<u>(147,369)</u>	<u>-</u>	<u>(5,804,334)</u>
Total noncurrent assets	<u>67,470</u>	<u>2,147,491</u>	<u>-</u>	<u>2,214,961</u>
Total assets	\$ 154,957	\$ 2,208,842	\$ 24,802	\$ 2,388,601
DEFERRED OUTFLOWS:				
Deferred outflows	<u>6,604</u>	<u>9,923</u>	<u>-</u>	<u>16,527</u>
Total deferred outflows	<u>6,604</u>	<u>9,923</u>	<u>-</u>	<u>16,527</u>
Total assets and deferred outflows	<u>\$ 161,561</u>	<u>\$ 2,218,765</u>	<u>\$ 24,802</u>	<u>\$ 2,405,128</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, 2018

	Water and Sewer	Solid Waste	Cemetery Fund	Total
LIABILITIES AND DEFERRED INFLOWS				
CURRENT LIABILITIES:				
Accrued expenses	\$ 1,099	\$ 1,058	\$ -	\$ 2,157
Due to other funds	-	35,000	-	35,000
Total current liabilities	1,099	36,058	-	37,157
NON CURRENT LIABILITIES:				
Net pension liability	84,997	14,753	-	99,750
Customer deposits	6,879	-	-	6,879
GRT payable	695	228	-	923
Total noncurrent liabilities	92,571	14,981	-	107,552
Total liabilities	93,670	51,039	-	144,709
DEFERRED INFLOWS:				
Deferred inflows - change in assumption	1,581	2,377	-	3,958
Deferred inflows - net difference between projected and actual earnings	1,241	1,864	-	3,105
Total deferred inflows	2,822	4,241	-	7,063
Total liabilities and deferred inflows	96,492	55,280	-	151,772
NET POSITION				
Net investment in capital assets	60,591	2,147,491	-	2,208,082
Unrestricted	4,478	15,994	24,802	45,274
Total net position	65,069	2,163,485	24,802	2,253,356
Total liabilities, deferred inflows and net position	\$ 161,561	\$ 2,218,765	\$ 24,802	\$ 2,405,128

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, 2018

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Cemetery Fund</u>	<u>Total</u>
Operating revenues				
Sales and service	\$ 90,864	\$ 72,652	\$ 500	\$ 164,016
Total operating revenues	90,864	72,652	500	164,016
Operating expenses				
Financial Administration	6,543	24,135	-	30,678
Depreciation expense	3,079	10,050	-	13,129
Maintenance	2,217	525	54	2,796
Miscellaneous	40,716	17,000	-	57,716
Salaries	30,011	45,294	-	75,305
Supplies	268	-	-	268
Telephone	330	-	-	330
Utilities	20,561	718	-	21,279
Total operating expenses	<u>103,725</u>	<u>97,722</u>	<u>54</u>	<u>201,501</u>
Operating income (loss)	<u>(12,861)</u>	<u>(25,070)</u>	<u>446</u>	<u>(37,485)</u>
Net change in net position	(12,861)	(25,070)	446	(37,485)
Net Position beginning of year	<u>77,930</u>	<u>2,188,555</u>	<u>24,356</u>	<u>2,290,841</u>
Net position, end of year	<u>\$ 65,069</u>	<u>\$ 2,163,485</u>	<u>\$ 24,802</u>	<u>\$ 2,253,356</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, 2018

	Water and Sewer	Solid Waste	Cemetery Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from agencies and customers	\$ 90,443	\$ 108,335	\$ 500	\$ 199,278
Cash payments to employees for services	(2,531)	(13,340)	-	(15,871)
Cash paid to suppliers for goods and services	<u>(78,955)</u>	<u>(87,666)</u>	<u>(54)</u>	<u>(166,675)</u>
Net cash provided by (used in) operating activities	8,957	7,329	446	16,732
CASH FLOWS FROM CAPITAL ACTIVITIES AND RELATED FINANCING ACTIVITIES:				
Change in capital assets	<u>-</u>	<u>(59,480)</u>	<u>-</u>	<u>(59,480)</u>
Net cash provided by capital and related financing activities	<u>-</u>	<u>(59,480)</u>	<u>-</u>	<u>(59,480)</u>
NET INCREASE IN CASH	8,957	(52,151)	446	(42,748)
CASH, BEGINNING OF YEAR	<u>75,208</u>	<u>110,158</u>	<u>24,356</u>	<u>209,722</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 84,165</u>	<u>\$ 58,007</u>	<u>\$ 24,802</u>	<u>\$ 166,974</u>
SUPPLEMENTARY INFORMATION				
Cash and cash equivalents	\$ 78,411	\$ 58,007	\$ 24,802	\$ 160,095
Restricted cash	<u>5,754</u>	<u>-</u>	<u>-</u>	<u>6,879</u>
Total cash and cash equivalents	<u>\$ 84,165</u>	<u>\$ 58,007</u>	<u>\$ 24,802</u>	<u>\$ 166,974</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, 2018

	<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)	\$ (12,861)	\$ (25,070)	\$ 446	\$ (37,485)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	3,079	10,050	-	13,129
Changes in assets and liabilities				
Accounts receivable	(1,546)	(89)	-	(1,635)
Other assets	11,207	772	-	11,979
Accounts payable	(28)	6	-	(22)
Accrued expenses and other liabilities	(996)	24	-	(972)
Due to other funds	-	35,000	-	35,000
Customer deposits	1,125	-	-	1,125
Other liabilities	8,977	(13,364)	-	(4,387)
Net cash provided by (used in) operating activities	<u>\$ 8,957</u>	<u>\$ 7,329</u>	<u>\$ 446</u>	<u>\$ 16,732</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, 2018

ASSETS

Current assets

Cash	\$ <u>12,791</u>
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Total assets	\$ <u>12,791</u>
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LIABILITIES

Current liabilities

Deposits held in trust for others	\$ <u>12,791</u>
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Total liabilities	\$ <u>12,791</u>
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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, 2018

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, 2018.

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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.

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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. New Governmental Accounting Standards

In June 2017, GASB Statement No. 87 Leases, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements related to debt for periods beginning after June 15, 2018. Furthermore, GASB No. 88 clarifies which liabilities governments should include when disclosing information. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

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).

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

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, 2018, the Village's bank balance total, \$813,104, of which \$563,454 was exposed to no custodial credit risk.

At June 30, 2017, FDIC insurance covers \$250,000 on all accounts at a single financial institution. The total balance in any single financial institution may at times exceed the FDIC coverage available to individual depositors. The Village is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account not covered by FDIC insurance, in accordance with section 6-10-17, NMSA, 1978 Compilation. See schedule of deposit accounts for collateral coverage.

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

4. RECEIVABLES

Receivables as of June 30, 2018, were as follows:

	Governmental Activities	Business- Type Activities	TOTAL
Accounts receivable	\$ -	\$ 13,545	\$ 13,545
Taxes receivable	203,973	-	203,973
	\$ 203,973	\$ 13,545	\$ 217,518

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, 2018

5. CAPITAL ASSETS

Changes in Capital Assets-Capital asset activity for the Village's primary government for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017 as previously stated	Restatement	Balance June 30, 2017	Additions	Balance June 30. 2018
Government activities:					
Capital assets not being depreciated:					
Land	\$ 45,000	\$ 5,000	\$ 50,000	\$ -	\$ 50,000
Total capital assets not being depreciated	45,000	5,000	50,000	-	50,000
Capital Assets, being depreciated					
Infrastructure	6,222,227	500,000	6,722,227	-	6,722,227
Buildings	492,940	777,000	1,269,940	-	1,269,940
Equipment	151,707	(67,247)	84,460	-	84,460
Vehicles	604,101	(3,245)	600,856	-	600,856
Total capital assets, being depreciated	7,470,975	1,206,508	8,677,483	-	8,677,483
Total capital assets	7,515,975	1,211,508	8,727,483	-	8,727,483
Less accumulated depreciation for:					
Building	285,296	70,141	355,437	26,456	381,893
Equipment	81,465	(1,984)	79,481	1,310	80,791
Vehicles	106,212	184,321	290,533	23,753	314,286
Total accumulated depreciation	472,973	252,478	725,451	51,519	776,970
Total capital assets, net	\$ 7,043,002	\$ 959,030	\$ 8,002,032	\$ (51,519)	\$ 7,950,513

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

5. CAPITAL ASSETS (CONTINUED)

Business-type activities:	Beginning Balance	Restatement	Balance June 30, 2017	Additions	Ending Balance
Water and Sewer					
Capital assets not being depreciated:					
Land	\$ 3,000	\$ (3,000)	\$ -	\$ -	\$ -
Total capital assets not being depreciated	3,000	(3,000)	-	-	-
Other Capital Assets					
Building	18,940	95,284	114,224	-	114,224
Equipment	5,855,194	(271,662)	5,583,532	-	5,583,532
Vehicles	36,629	(16,829)	19,800	-	19,800
Total capital assets at historical cost	<u>5,910,763</u>	<u>(193,207)</u>	<u>5,717,556</u>	<u>-</u>	<u>5,717,556</u>
Total capital assets	<u>5,913,763</u>	<u>(196,207)</u>	<u>5,717,556</u>	<u>-</u>	<u>5,717,556</u>
Less accumulated depreciation					
Buildings	10,422	40,133	50,555	3,078	53,633
Equipment	3,592,678	1,990,854	5,583,532	-	5,583,532
Vehicles	10,494	9,306	19,800	-	19,800
Total accumulated depreciation	<u>3,613,594</u>	<u>2,040,293</u>	<u>5,653,887</u>	<u>-</u>	<u>5,656,965</u>
Water and sewer capital assets, net	<u>\$ 2,300,169</u>	<u>\$ (2,236,500)</u>	<u>\$ 63,669</u>	<u>\$ -</u>	<u>\$ 60,591</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

5. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Restatement	Balance June 30, 2017	Additions	Ending Balance
Solid Waste					
Capital assets not being depreciated:					
Land	\$ 2,080,000	\$ (2,000)	\$ 2,078,000	\$ -	\$ 2,078,000
CIP	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,480</u>	<u>59,480</u>
Total capital assets not being depreciated	2,080,000	(2,000)	2,078,000	59,480	2,137,480
Building	12,000	935	12,935	-	12,935
Equipment	56,995	70,905	127,900	-	127,900
Vehicles	<u>16,545</u>	<u>-</u>	<u>16,545</u>	<u>-</u>	<u>16,545</u>
Assets at historical cost	<u>85,540</u>	<u>71,840</u>	<u>157,380</u>	<u>-</u>	<u>157,380</u>
Total capital assets	<u>2,165,540</u>	<u>69,840</u>	<u>2,235,380</u>	<u>59,480</u>	<u>2,294,860</u>
Less accumulated depreciation					
Building	6,900	(2,645)	4,255	323	4,578
Equipment	40,100	79,729	119,829	8,071	127,900
Vehicles	<u>7,465</u>	<u>5,771</u>	<u>13,236</u>	<u>1,655</u>	<u>14,891</u>
Total accumulated depreciation	<u>54,465</u>	<u>82,855</u>	<u>137,320</u>	<u>10,049</u>	<u>147,369</u>
Solid waste capital assets, net	<u>2,111,075</u>	<u>(13,015)</u>	<u>2,098,060</u>	<u>49,431</u>	<u>2,147,491</u>
TOTAL BUSINESS TYPE NET CAPITAL ASSETS	<u>\$ 4,411,244</u>	<u>\$ (2,249,515)</u>	<u>\$ (138,440)</u>	<u>\$ (2,187,069)</u>	<u>\$ 2,208,082</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

6. LONG TERM DEBT:

A summary of activity of other liabilities is as follows:

	<u>Balance</u> <u>6/30/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/18</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)	\$ 92,219	\$ -	\$ 23,119	\$ 69,100	\$ 23,050
Total	<u>\$ 92,219</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,100</u>	<u>\$ 23,050</u>

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

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>
2019	\$ 23,050	\$ -	\$ 23,050
2020	23,025	-	23,025
2021	<u>23,025</u>	<u>-</u>	<u>23,025</u>
	<u>\$ 69,100</u>	<u>\$ -</u>	<u>\$ 69,100</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

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.

8. PUBLIC EMPLOYEE RETIREMENT ASSOCIATION'S PENSION PLAN

Summary of Significant Accounting Policies

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.

Plan description - The Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Audit Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the Public Employees Retirement Fund 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 Public Employees Retirement 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), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

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

Benefits provided - Benefits are generally available at age sixty-five with five or more years of service or after twenty-five years of service, regardless of age for Tier I members. Provisions also exist for retirement between ages sixty and sixty-five, with varying amounts of service required. Certain police and fire members may retire at any age with twenty or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average salary for the thirty-six consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2.00% to 3.50% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

Tier II - The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013, with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the members' age and service credit equals at least eighty-five or at age sixty-seven with eight or more years of service credit. General members hired on or before June 30, 2013 (Tier 1) remain eligible to retire at any age with twenty-five or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4, and 5 are eligible to retire at any age with twenty-five or more years of service credit.

State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in twenty-five year retirement plans; however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age sixty with six or more years of service credit. Generally, under Tier II pension factors were reduced by 0.50%, employee contribution increased by 1.50% and effective July 1, 2014, employer contributions were raised by 0.50%. The computation of final average salary increased as the average of salary for sixty consecutive months.

Contributions -See PERA's comprehensive annual financial report for the contribution rates and pension factors as of July 1, 2017.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

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

	Employee Contribution Percentage			Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary less greater \$20,000	Employer Contribution Percentage	Tier I	Tier II	
State Plan 3	7.42 %	8.92 %	16.99 %	3.00 %	2.50 %	90.00 %
Municipal Plan 1(plan open to new employers)	7.00 %	8.50 %	7.40 %	2.00 %	2.00 %	90.00 %
Municipal Plan 2(plan open to new employers)	9.15 %	10.65 %	9.55 %	2.50 %	2.00 %	90.00 %
Municipal Plan 3(plan closed to new employers on 6/95)	13.15 %	14.65 %	9.55 %	3.00 %	2.50 %	90.00 %
Municipal Plan 4(plan closed to new employers on 6/00)	15.65 %	17.15 %	12.05 %	3.00 %	2.50 %	90.00 %
Municipal Police Plan 1	7.00 %	8.50 %	10.40 %	2.00 %	2.00 %	90.00 %
Municipal Police Plan 2	7.00 %	8.50 %	15.40 %	2.50 %	2.00 %	90.00 %
Municipal Police Plan 3	7.00 %	8.50 %	18.90 %	2.50 %	2.00 %	90.00 %
Municipal Police Plan 4	12.35 %	13.85 %	18.90 %	3.00 %	2.50 %	90.00 %
Municipal Police Plan 5	16.30 %	17.80 %	18.90 %	3.50 %	3.00 %	90.00 %
Municipal Fire Plan 1	8.00 %	9.50 %	11.40 %	2.00 %	2.00 %	90.00 %
Municipal Fire Plan 2	8.00 %	9.50 %	17.90 %	2.50 %	2.00 %	90.00 %
Municipal Fire Plan 3	8.00 %	9.50 %	21.65 %	2.50 %	2.00 %	90.00 %
Municipal Fire Plan 4	12.80 %	14.30 %	21.65 %	3.00 %	2.50 %	90.00 %
Municipal Fire Plan 5	16.20 %	17.70 %	21.65 %	3.50 %	3.00 %	90.00 %
Municipal Detention Officer Plan 1	16.65 %	18.15 %	17.05 %	3.00 %	3.00 %	90.00 %
State Police and Adult Correctional Officer Plan 1	7.60 %	9.10 %	25.50 %	3.00 %	3.00 %	90.00 %
State Plan 3 - Peace Officer	7.42 %	8.92 %	16.99 %	3.00 %	3.00 %	90.00 %
Juvenile Correctional Officer Plan 2	4.78 %	6.28 %	26.12 %	3.00 %	3.00 %	90.00 %

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, Village of Roy reported a liability of \$166,203 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018.

Village of Roy's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Village's proportion was 0.1638%, which was an increase of 0.0091%, from its proportion measured as of June 30, 2017.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

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

For the year ended June 30, 2018, the Village recognized pension expense of \$34,101. At June 30, 2018, the Village reported 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	\$ 4,967	\$ 6,475
Changes of assumptions	5,830	1,306
Net difference between projected and actual earnings on pension plan investments	10,372	-
Changes in proportion and differences between Village of Roy contributions and proportionate share of contributions	4,663	6,948
Village of Roy contributions subsequent to the measurement date	<u>8,630</u>	<u>-</u>
Total	<u>\$ 34,462</u>	<u>\$ 14,729</u>

In June 30, 2018 \$8,630, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

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

Year Ended June 30:	Municipal General Division
2019	2,485
2020	9,220
2021	2,427
2022	(3,030)

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
Golbal Equity	43.5 %	7.39 %
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	20.0	7.35
Total	100.0 %	

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, 2017 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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions	
* Investment rate of return	7.51% annual rate, net of investment expense
* Projected benefit payment	100 years
* Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
* Projected salary increases	2.75% to 14.00% annual rate
* Includes inflation at	2.25% annual rate, first 9 years, then 2.75% thereafter
* Mortality Assumption	PR-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 (demographic) and July 1, 2010 through June 20, 2016 (economic)

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

Sensitivity of 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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

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

PERA Municipal General Division	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Village of Roy's proportionate share of the net pension liability	\$ 198,136	\$ 126,416	\$ 66,771

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial report.

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, 2017, the Village carried insurance with the New Mexico Self-Insurer's Fund for a shared premium cost. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years. The Village's policy is not an assessable policy; therefore the only risk is for the premium paid.

11. SURETY COVERAGE

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

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2018

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 \$10,445 as follows:

	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
Municipal Street	\$ 17,265	\$ 27,702	\$ (10,437)
EMS Fund	7,112	7,120	(8)
Total	\$ 24,377	\$ 34,822	\$ (10,445)

13. RESTATEMENT

The Village has determined that the Capital Assets schedule maintained is not updated. During testwork it was noted that \$1,290,485 of infrastructure was not previously included in the capital asset schedule. Even after the restatement, the capital asset schedule may not be accurate.

	Governmental
Capital assets error	<u>\$ 1,290,485</u>
TOTAL	<u>\$ 1,290,485</u>

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2018, the date the financial statements were available to be issued.

15. TAX ABATEMENTS

There are no tax abatements to report under GASB 77.

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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village of Roy's proportion of the net pension liability	\$ 126,417	\$ 140,594	\$ 102,978	\$ 75,670
Village of Roy's proportionate share of the net pension liability	0.0092%	0.0088%	0.0097%	0.0101%
Village of Roy's covered-employee payroll	91,073	82,393	70,615	81,861
Village of Roy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	138.80%	170.64%	145.83%	92.44%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,696	\$ 7,745	\$ 6,591	\$ 7,693
Contributions in relation to the contractually required contribution	<u>7,696</u>	<u>7,745</u>	<u>6,591</u>	<u>7,693</u>
Contribution deficiency (excess)	-	-	-	-
Village of Roy's covered-employee payroll	<u>91,073</u>	<u>82,393</u>	<u>70,615</u>	<u>81,861</u>
Contributions as a percentage of covered-employee payroll	<u>8.45%</u>	<u>9.40%</u>	<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, 2018

Changes of benefit terms- The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf

Changes of assumptions- The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2017 is available at https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf . See Appendix B on pages 53 - 61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2017 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 2017. 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 https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.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, 2018

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.

SRF Municipal Street Fund

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

STATE OF NEW MEXICO
VILLAGE OF ROY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	EMS	Recreation	Municipal Street Fund	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ 24,498	\$ 5,048	\$ 29,546
Total assets	-	24,498	5,048	29,546
LIABILITIES AND FUND BALANCE				
Fund balance:				
Unreserved	-	24,498	5,048	29,546
Total fund balance	-	24,498	5,048	29,546
Total liabilities and fund balance	\$ -	\$ 24,498	\$ 5,048	\$ 29,546

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, 2018

	<u>EMS</u>	<u>Recreation</u>	<u>Municipal Street Fund</u>	<u>Total</u>
REVENUES				
Gas tax	\$ -	\$ -	\$ 4,170	\$ 4,170
State grant	7,120	-	-	7,120
Gross receipts tax	-	-	3,229	3,229
	<u>7,120</u>	<u>-</u>	<u>7,399</u>	<u>14,519</u>
Total revenues				
EXPENDITURES				
Public safety	7,120	-	-	7,120
Public works	-	-	27,702	27,702
	<u>7,120</u>	<u>-</u>	<u>27,702</u>	<u>34,822</u>
Total expenditures				
Excess (Deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(20,303)</u>	<u>(20,303)</u>
Net change in fund balance	-	-	(20,303)	(20,303)
Fund balance, beginning of year	<u>-</u>	<u>24,498</u>	<u>25,351</u>	<u>49,849</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 24,498</u>	<u>\$ 5,048</u>	<u>\$ 29,546</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2018

Beginning cash	\$ 12,791
Additions	-
Deletions	<u>-</u>
Ending cash	<u>\$ 12,791</u>
Beginning liabilities	\$ 12,791
Additions	-
Deletions	<u>-</u>
Ending liabilities	<u>\$ 12,791</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF DEPOSITORIES
AS OF JUNE 30, 2018

Community First Bank Name of Account	Balance Per Bank 06/30/18	Reconciled Balance	Type
General Fund	\$ 286,225	\$ 209,198	Checking
Fire Protection	125,907	125,907	Checking
Grant Funds	191,661	5,059	Checking
Recreation	24,498	24,498	Checking
Municipal Street	5,048	5,048	Checking
Water and Sewer	84,165	84,165	Checking
Solid Waste	58,007	58,007	Checking
Agency Fund	12,791	12,791	Checking
Cemetery Fund	<u>24,802</u>	<u>24,802</u>	Checking
Total deposited	813,104	549,475	
Petty cash	<u>350</u>	<u>350</u>	
Total Cash	813,454	<u>\$ 549,825</u>	
Less: FDIC coverage	<u>(250,000)</u>		
Uninsured amount	563,454		
50% collateral requirement	281,727		
Pledged securities	<u>220,000</u>		
Over (under) requirement	<u>\$ (61,727)</u>		
Governmental Cash	\$ 359,539		
Governmental Cash - Restricted	10,521		
Business Cash	160,095		
Business Cash - Restricted	6,879		
Agency Cash	<u>12,791</u>		
Total	<u>\$ 549,825</u>		

STATE OF NEW MEXICO
 VILLAGE OF ROY
 SCHEDULE OF PLEDGED COLLATERAL
 FOR THE YEAR ENDED JUNE 30, 2018

The following securities are pledged at:

Description	CUSIP#	Fair Value	Maturity Date	Held By
FNMA	734540HW0	<u>\$ 220,000</u>	3/15/2021	Vining Sparks
		<u>\$ 220,000</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**

Mr. Wayne Johnson
Office of the 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, 2018, and the related notes to the financial statements, which collectively comprise Village of Roy's basic financial statements, and the combining and individual funds of the Village, presented as supplemental information, and have issued our report thereon dated December 14, 2018.

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 to be significant deficiencies. (2017-002, 2018-001, 2018-002).

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 and 2017-001)

The Village of Roy's Response to Findings

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

Purpose of this Report

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

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 14, 2018

STATE OF NEW MEXICO
VILLAGE OF ROY
SUMMARY SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Prior audit findings		Current status
2003-002	Capital Assets	Repeated and Modified
2014-001	Expenses in Excess of Budget	Repeated and Modified
2016-001	Cash Deposit in Bank Daily	Resolved
2017 -001	Journal Entries Approval	Repeated
2017 -002	Cash by fund	Repeated
Current year findings:		
2018-001	Pledge Collateral	New
2018-002	Certified Procurement Officer	New

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018, 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, 2018.</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>We recommend the Village 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: 03/31/2018

Employee Responsible: Village Clerk

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Expenses in Excess of Budget (2014-001) - Material Non-Compliance

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, 2018 the Village remitted payments for goods and services in excess of the adopted budget as follows:

	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
EMS	\$ 7,112	\$ 7,120	\$ (8)
Municipal Street	17,265	27,702	(10,437)
Total	24,377	34,822	(10,445)

Excess expenditures for the fiscal year ended June 30, 2018 were noted in two funds, and totaled over \$10,445. The Village did approve several budget amendment during the fiscal year ended June 30, 2018, however, close to the 2018 fiscal year end Village staff failed to note that the General Fund 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, 2018

Expenses in Excess of Budget (2014-001) - Material Non-Compliance (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: June 30, 2019

Employee Responsible: Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

Journal Entries Approval (2017-001) - Material Non-Compliance

CONDITION	Ten out of ten journal entry samples judgementally selected did not have a review and approval signature.
CRITERIA	Section 6-5-2, NMSA 1978, requires that the authority shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.
CAUSE	The Village was unaware of this requirement.
EFFECT	There may be unauthorized adjustments made, leaving room for error and management override.
RECOMMENDATION	The Village should implement a review process for all transactions to mitigate risk of error, or manipulation.
RESPONSE	The Village will implement a process of authorizing journal entries that involves signed approval from the Mayor.

Expected Completion Date: June 30, 2019 **Employee Responsible:** Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

Cash by fund (2017-002) - Significant Deficiency

CONDITION	The Village does not keep track of cash belonging to individual funds. Various funds have overstated cash. The cash value of the error cannot be determined due to inadequate supporting documentation.
CRITERIA	According to NMAC 2.20.5.18 C. (4), The Village's cash account records shall be reconciled timely each month to the division's report and to the state treasurers's report.
CAUSE	The Village was unaware of this requirement.
EFFECT	The Village cannot determine how much cash each fund has, thus an appropriate cash flow budget cannot be determined by fund.
RECOMMENDATION	The Village needs to reconcile pooled cash and allocations frequently to promote accuracy.
RESPONSE	The Village will seek to prepare a reconciliation of all balance sheet accounts to insure accuracy of the aforementioned allocations.

Expected Completion Date: June 30, 2019 **Employee Responsible:** Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

Pledge Collateral (2018-001) - Significant Deficiency

CONDITION	During the year ended June 30, 2018, 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, 2018 the under collateralization at the institutions totaled \$61,127.
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: June 30, 2019

Employee Responsible: Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

Certified Procurement Officer (2018-002) - Significant Deficiency

CONDITION	During our NM Compliance testwork, it was noted that the Village did not have a Chief Procurement Officer.
CRITERIA	Section 13-1-97 of NMSA 1978 requires that purchases be made through a central purchasing office which properly authorizes and approves the purchase prior to payment. An authorized official should indicate that the goods or services have been received prior to payment for the goods or services.
CAUSE	The Village failed to designate and register a purchasing agent.
EFFECT	The Village does not implement a proper purchasing process which exposes the Village to the risk of following an improper purchasing process and increases the risk of errors in payments issued by Village due to the lack of proper supervision and monitoring by the Chief Procurement Officer.
RECOMMENDATION	The Village should designate an agent to become certified and registered as a Chief Procurement Officer for the Village.
RESPONSE	The Village will send the clerk to get certified.
Expected Completion Date:	June 30, 2019
Employee Responsible:	Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

The financial statements of the Village of Roy as of, and for the year ended, June 30, 2018 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, 2018

An entrance conference was conducted September 26, 2018 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

Mayor
Mayor Pro Tem

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA
Michael Cooper

Audit Senior
Staff Accountant

An exit conference was conducted October 25, 2018 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
Danny Laumbach

Mayor
Mayor Pro Tem
Clerk/ Treasurer

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA
Michael Cooper

Audit Senior
Staff Accountant