

STATE OF NEW MEXICO
VILLAGE OF ROY
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019 AND
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
VILLAGE OF ROY
For the Year Ended JUNE 30, 2019

TABLE OF CONTENTS

	Page
DIRECTORY OF OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2 - 4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Position	6 - 7
Statement of Activities	8
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	12 - 13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual on Budgetary Basis	
General Fund	15
Fire Fund	16
Grants Fund	17
Proprietary Fund Financial Statements	
Statement of Net Position	19 - 20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22 - 23
Fiduciary Fund Financial Statements	
Statement of Fiduciary Assets and Liabilities - Agency Fund	25
Notes to the Financial Statements	27 - 50
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of the Proportionate share of the Net Pension Liability of PERA Municipal General Division PERA Plan	52
Schedule of Village of Roy's Contributions PERA Plan PERA Municipal General Division	53
Notes to Required Supplementary Information	54
Special Revenue Fund	55

STATE OF NEW MEXICO
VILLAGE OF ROY
For the Year Ended JUNE 30, 2019

TABLE OF CONTENTS (CONTINUED)

	Page
SUPPLEMENTARY INFORMATION:	
Description of Non-Major Governmental Funds	56
Combining and Individual Funds Statements and Schedules:	
Combining Balance Sheet - Nonmajor Special Revenue Funds	57
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	58
Statement of Changes in Assets and Liabilities - Agency Fund	59
Other Supplemental Information	
Schedule of Depositories	60
Schedule of Pledged Collateral	61
COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63 - 64
Summary of Auditors' Results	65
Summary Schedule of Prior and Current Audit Findings	66
Schedule of Findings and Responses	67 - 75
Financial Statement Preparation	76
Entrance and Exit Conference	77

STATE OF NEW MEXICO
VILLAGE OF ROY
For the Year Ended JUNE 30, 2019

Board of Trustees

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

Other Officials

Danny R. Laumbach	Clerk/Treasurer
Ashleigh R Sullivan	Deputy Clerk



INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón
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, 2019, 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, 2019, 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, 2019, 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 52 - 54 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 13, 2019 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 13, 2019

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VILLAGE OF ROY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Primary Government Governmental Activities	Business- type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 884,456	\$ 192,212	\$ 1,076,668
Cash restricted	9,587	-	9,587
Accounts receivable	<u>57,345</u>	<u>13,695</u>	<u>71,040</u>
Total current assets	951,388	205,907	1,157,295
NONCURRENT ASSETS:			
Capital assets	8,760,002	8,023,367	16,783,369
Less accumulated depreciation	<u>(829,844)</u>	<u>(5,810,394)</u>	<u>(6,640,238)</u>
Total noncurrent assets	<u>7,930,158</u>	<u>2,212,973</u>	<u>10,143,131</u>
Total assets	8,881,546	2,418,880	11,300,426
DEFERRED OUTFLOWS:			
Deferred outflows	<u>36,215</u>	<u>25,331</u>	<u>61,546</u>
Total deferred outflows	<u>36,215</u>	<u>25,331</u>	<u>61,546</u>
Total assets and deferred outflows	<u>\$ 8,917,761</u>	<u>\$ 2,444,211</u>	<u>\$ 11,361,972</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, 2019

	Primary Government Governmental Activities	Business- type Activities	Total
LIABILITIES AND DEFERRED INFLOWS			
CURRENT LIABILITIES:			
Accounts payable	\$ 677	\$ -	\$ 677
Accrued liabilities and other expenses	2,103	-	2,103
Accrued interest	-	1,112	1,112
GRT payable	-	933	933
	<u>2,780</u>	<u>2,045</u>	<u>4,825</u>
LONG TERM LIABILITIES:			
Net pension liability	60,787	116,188	176,975
	<u>60,787</u>	<u>116,188</u>	<u>176,975</u>
Total liabilities	63,567	118,233	181,800
DEFERRED INFLOWS:			
Deferred inflows- change in assumption	1,858	3,701	5,559
Deferred inflows - net difference between projected and actual earnings	2,136	1,593	3,729
	<u>3,994</u>	<u>5,294</u>	<u>9,288</u>
Total liabilities and deferred inflows	67,561	123,527	191,088
NET POSITION			
Net investment in capital assets	7,930,158	2,212,973	10,143,131
Restricted for			
Special revenues	689,825	-	689,825
General fund	9,587	-	9,587
Unassigned	220,630	107,711	328,341
	<u>8,850,200</u>	<u>2,320,684</u>	<u>11,170,884</u>
Total liabilities, deferred inflows and net position	<u>\$ 8,917,761</u>	<u>\$ 2,444,211</u>	<u>\$ 11,361,972</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
VILLAGE OF ROY
STATEMENT OF ACTIVITIES
JUNE 30, 2019

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	\$ 128,385	\$ 4,150	\$ -	\$ (124,235)	\$ -	\$ (124,235)
Public safety	35,293	-	82,676	47,383	-	47,383
Public works	34,593	-	528,422	493,829	-	493,829
Unallocated depreciation	52,874	-	-	(52,874)	-	(52,874)
Total governmental activities	251,145	4,150	611,098	364,103	-	364,103
Business-type activities:						
Water and sewer	65,443	83,564	-	-	18,121	18,121
Solid waste	58,708	67,494	-	-	8,786	8,786
Cemetery fund	22	330	-	-	308	308
Total business-type activities	124,173	151,388	-	-	27,215	27,215
Total primary government	\$ 375,318	\$ 155,538	\$ 611,098	364,103	27,215	391,318
General Revenues:						
Taxes:						
				32,558	-	32,558
				730	-	730
				5,539	-	5,539
				37,082	-	37,082
				3,348	-	3,348
				90,000	-	90,000
				11	14,130	14,141
				2,235	-	2,235
				171,503	14,130	185,633
				535,606	41,345	576,951
				8,322,035	2,253,356	10,575,391
				(7,441)	25,983	18,542
				8,314,594	2,279,339	10,593,933
				\$ 8,850,200	\$ 2,320,684	\$ 11,170,884

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, 2019

	General Fund	Fire Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 241,340	\$ 103,899	\$ 458,992	\$ 80,225	\$ 884,456
Cash restricted	9,587	-	-	-	9,587
Accounts receivable	<u>10,636</u>	<u>-</u>	<u>46,709</u>	<u>-</u>	<u>57,345</u>
Total assets	<u>\$ 261,563</u>	<u>\$ 103,899</u>	<u>\$ 505,701</u>	<u>\$ 80,225</u>	<u>\$ 951,388</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
LIABILITIES:					
Accounts payable	\$ 677	\$ -	\$ -	\$ -	\$ 677
Accrued liabilities and other expenses	<u>2,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,103</u>
Total liabilities	2,780	-	-	-	2,780
DEFERRED INFLOWS:					
Property tax	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>
Total deferred inflows	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>
Total liabilities and deferred inflows	2,793	-	-	-	2,793
FUND BALANCES:					
Unassigned reported in:					
General fund	249,183	-	-	-	249,183
Restricted for General fund	9,587	-	-	-	9,587
Restricted for special revenue funds	<u>-</u>	<u>103,899</u>	<u>505,701</u>	<u>80,225</u>	<u>689,825</u>
Total fund balances	<u>258,770</u>	<u>103,899</u>	<u>505,701</u>	<u>80,225</u>	<u>948,595</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 261,563</u>	<u>\$ 103,899</u>	<u>\$ 505,701</u>	<u>\$ 80,225</u>	<u>\$ 951,388</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, 2019

Total fund balances for governmental funds		\$ 948,595
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	8,760,002	
Accumulated depreciation	<u>(829,844)</u>	7,930,158
Deferred outflows		36,215
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	(1,858)	
Difference between projected and actual investment earnings on pension plan investments	<u>(2,136)</u>	(3,994)
Deferred inflows - assets not available to pay for current period expenditures and therefore, are deferred in the funds - property tax		13
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:		
Net pension liability	<u>(60,787)</u>	<u>(60,787)</u>
Total net position - governmental activities		<u>\$ 8,850,200</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, 2019

	General Fund	Fire Fund	Grants Fund	Non-Major Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Gross receipt taxes	\$ 29,036	\$ -	\$ -	\$ 3,522	\$ 32,558
Gas taxes	952	-	-	4,587	5,539
Property taxes	3,494	-	-	-	3,494
State grants	37,082	77,204	528,422	5,472	648,180
Small city assistance	90,000	-	-	-	90,000
Charges for services	4,150	-	-	-	4,150
Licenses and permits	730	-	-	-	730
Interest income	2,235	-	-	-	2,235
Miscellaneous	11	-	-	-	11
	<u>167,690</u>	<u>77,204</u>	<u>528,422</u>	<u>13,581</u>	<u>786,897</u>
Total revenues					
EXPENDITURES:					
General government	116,202	-	-	-	116,202
Public safety	-	30,098	-	5,195	35,293
Public works	-	-	32,118	2,475	34,593
Capital outlay	-	-	32,519	-	32,519
Debt service:					
Principal	-	69,100	-	-	69,100
Interest	-	14	-	-	14
	<u>116,202</u>	<u>99,212</u>	<u>64,637</u>	<u>7,670</u>	<u>287,721</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	51,488	(22,008)	463,785	5,911	499,176
Other financing sources (uses)					
Transfers in	-	-	-	44,768	44,768
Transfers out	(11,625)	-	(33,143)	-	(44,768)
	<u>(11,625)</u>	<u>-</u>	<u>(33,143)</u>	<u>44,768</u>	<u>-</u>
Total other sources (uses)					
Net change in fund balance	39,863	(22,008)	430,642	50,679	499,176

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, 2019

Fund balance beginning of year, as previously stated	226,348	125,907	75,059	29,546	456,860
Restatement	<u>(7,441)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,441)</u>
Fund balance at the beginning of year	<u>218,907</u>	<u>125,907</u>	<u>75,059</u>	<u>29,546</u>	<u>449,419</u>
Fund balance end of year	<u>\$ 258,770</u>	<u>\$ 103,899</u>	<u>505,701</u>	<u>\$ 80,225</u>	<u>\$ 948,595</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, 2019

Net change in fund balances - total governmental funds \$ 499,176

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 (146)

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:

Capital assets reported as capital outlay expenditures	32,519	
Depreciation expense	(52,874)	(20,355)

Changes related to net pension liability:

Change in deferred outflows	18,280	
Change in deferred inflows	3,672	
Change in net pension liability	(34,121)	
Payments on long term debt	69,100	

Change in net position of governmental activities \$ 535,606

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, 2019

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
Taxes:				
Gross receipts	\$ 36,100	\$ 36,100	\$ 35,137	\$ (963)
Property tax	37,665	37,665	3,494	(34,171)
Gas tax	1,750	1,750	517	(1,233)
Charges for services	15,350	15,350	6,461	(8,889)
Other license and permits	900	900	730	(170)
Small cities assistance	90,000	90,000	90,000	-
Stat grant	-	-	37,082	37,082
Interest income	-	-	2,235	2,235
Miscellaneous	5,300	5,300	11	(5,289)
Total revenues	187,065	187,065	175,667	(11,398)
EXPENDITURES				
General government				
Executive-legislative	18,408	18,408	13,790	4,618
Finance & administration	152,033	152,033	94,123	57,910
Miscellaneous	14,846	14,846	7,309	7,537
Total expenditures	185,287	185,287	115,222	70,065
Excess (deficiency) of revenues over expenditures	1,778	1,778	60,445	58,667
Other financing uses				
Transfers out	-	(69,277)	(17,107)	52,170
Total other financing other uses	-	(69,277)	(17,107)	52,170
Net change in fund balance	1,778	(67,499)	43,338	110,837
Fund balance beginning of year	226,348	226,348	226,348	-
Restatement	-	-	(7,441)	(7,441)
Fund balance at the beginning of year	226,348	226,348	218,907	(7,441)
Fund balance end of year	\$ 228,126	\$ 158,849	\$ 262,245	\$ 110,837
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance budgetary basis			\$ 43,338	
Revenue accruals			10,636	
Expenditure accruals			(14,111)	
Net change in fund balance - GAAP Basis			\$ 39,863	

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, 2019

	<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	\$ 77,204	\$ 21,703
Total revenues	55,501	55,501	77,204	21,703
EXPENDITURES				
Public safety	55,501	55,501	30,112	25,389
Debt service				
Principal	<u>69,175</u>	<u>69,175</u>	<u>69,100</u>	<u>75</u>
Total expenditures	124,676	124,676	99,212	25,464
Net change in fund balance	(69,175)	(69,175)	(22,008)	47,167
Fund balance beginning of year	<u>125,907</u>	<u>125,907</u>	<u>125,907</u>	<u>-</u>
Fund balance end of year	<u>\$ 56,732</u>	<u>\$ 56,732</u>	<u>\$ 103,899</u>	<u>\$ 47,167</u>
Reconciliation of Budgetary Basis to GAAP Basis:				
Net changes in fund balance			<u>\$ (22,008)</u>	
Net change in fund balance - GAAP Basis			<u>\$ (22,008)</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State grant	\$ 538,405	\$ 538,405	\$ 528,422	\$ (9,983)
Total revenues	538,405	538,405	528,422	(9,983)
EXPENDITURES				
Public works	<u>538,405</u>	<u>538,405</u>	<u>64,637</u>	<u>473,768</u>
Total expenditures	<u>538,405</u>	<u>538,405</u>	<u>64,637</u>	<u>473,768</u>
Other financing sources/(uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(33,143)</u>	<u>33,143</u>
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>(33,143)</u>	<u>33,143</u>
Net change in fund balance	-	-	430,642	430,642
Fund balance, beginning of year	<u>75,059</u>	<u>75,059</u>	<u>75,059</u>	<u>-</u>
Fund balance, end of year	<u>\$ 75,059</u>	<u>\$ 75,059</u>	<u>\$ 505,701</u>	<u>\$ 430,642</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net changes in fund balance			\$ 430,642	
Revenue accruals			-	
Expenditure accruals			<u>-</u>	
Net change in fund balance - GAAP Basis			<u>\$ 430,642</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, 2019

	<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	\$ 55,834	\$ 111,268	\$ 25,110	\$ 192,212
Accounts receivable, net	<u>10,578</u>	<u>3,117</u>	<u>-</u>	<u>13,695</u>
Total current assets	66,412	114,385	25,110	205,907
NON CURRENT ASSETS:				
Capital assets	5,728,507	2,294,860	-	8,023,367
Less accumulated depreciation	<u>(5,661,047)</u>	<u>(149,347)</u>	<u>-</u>	<u>(5,810,394)</u>
Total noncurrent assets	<u>67,460</u>	<u>2,145,513</u>	<u>-</u>	<u>2,212,973</u>
Total assets	\$ 133,872	\$ 2,259,898	\$ 25,110	\$ 2,418,880
DEFERRED OUTFLOWS:				
Deferred outflows	<u>10,674</u>	<u>14,657</u>	<u>-</u>	<u>25,331</u>
Total deferred outflows	<u>10,674</u>	<u>14,657</u>	<u>-</u>	<u>25,331</u>
Total assets and deferred outflows	<u>\$ 144,546</u>	<u>\$ 2,274,555</u>	<u>\$ 25,110</u>	<u>\$ 2,444,211</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, 2019

	Water and Sewer	Solid Waste	Cemetery Fund	Total
LIABILITIES AND DEFERRED INFLOWS				
CURRENT LIABILITIES:				
Accrued expenses	\$ 1,112	\$ -	\$ -	\$ 1,112
GRT payable	721	212	-	933
Total current liabilities	1,833	212	-	2,045
NON CURRENT LIABILITIES:				
Net pension liability	92,594	23,594	-	116,188
Total noncurrent liabilities	92,594	23,594	-	116,188
Total liabilities	94,427	23,806	-	118,233
DEFERRED INFLOWS:				
Deferred inflows - change in assumption	1,538	2,163	-	3,701
Deferred inflows - net difference between projected and actual earnings	467	1,126	-	1,593
Total deferred inflows	2,005	3,289	-	5,294
Total liabilities and deferred inflows	96,432	27,095	-	123,527
NET POSITION				
Net investment in capital assets	67,460	2,145,513	-	2,212,973
Unrestricted	(19,346)	101,947	25,110	107,711
Total net position	48,114	2,247,460	25,110	2,320,684
Total liabilities, deferred inflows and net position	\$ 144,546	\$ 2,274,555	\$ 25,110	\$ 2,444,211

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, 2019

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Cemetery Fund</u>	<u>Total</u>
Operating revenues				
Sales and service	\$ 83,564	\$ 67,494	\$ 330	\$ 151,388
Total operating revenues	83,564	67,494	330	151,388
Operating expenses				
Financial administration	3,748	15,829	-	19,577
Depreciation expense	4,082	1,978	-	6,060
Maintenance	6,301	1,464	22	7,787
Miscellaneous	4,684	2,265	-	6,949
Salaries	23,821	36,838	-	60,659
Supplies	401	-	-	401
Telephone	703	-	-	703
Utilities	21,703	334	-	22,037
Total operating expenses	65,443	58,708	22	124,173
Operating income (loss)	18,121	8,786	308	27,215
Nonoperating revenues (expenses)				
Grants	14,130	-	-	14,130
Total nonoperating revenues (expenses)	14,130	-	-	14,130
Change in net position	32,251	8,786	308	41,345
Other financing sources				
Transfers in/out	(49,206)	49,206	-	-
Total other sources	(49,206)	49,206	-	-
Net change in net position	(16,955)	57,992	308	41,345
Net position beginning of year, as previously stated	65,069	2,163,485	24,802	2,253,356
Restatement	-	25,983	-	25,983
Net Position beginning of year as restated	65,069	2,189,468	24,802	2,279,339
Net position, end of year	\$ 48,114	\$ 2,247,460	\$ 25,110	\$ 2,320,684

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, 2019

	Water and Sewer	Solid Waste	Cemetery Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from agencies and customers	\$ 76,308	\$ 53,970	\$ 330	\$ 130,608
Cash payments to employees for services	(17,897)	(20,970)	-	(38,867)
Cash paid to suppliers for goods and services	<u>(40,715)</u>	<u>(28,945)</u>	<u>(22)</u>	<u>(69,682)</u>
Net cash provided by (used in) operating activities	17,696	4,055	308	22,059
CASH FLOWS FROM CAPITAL ACTIVITIES AND RELATED FINANCING ACTIVITIES:				
Change in capital assets	(10,951)	-	-	(10,951)
Grant Proceeds	14,130	-	-	14,130
Transfer in/out	<u>(49,206)</u>	<u>49,206</u>	<u>-</u>	<u>-</u>
Net cash provided by capital and related financing activities	<u>(46,027)</u>	<u>49,206</u>	<u>-</u>	<u>3,179</u>
NET INCREASE IN CASH	(28,331)	53,261	308	25,238
CASH, BEGINNING OF YEAR	<u>84,165</u>	<u>58,007</u>	<u>24,802</u>	<u>166,974</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 55,834</u>	<u>\$ 111,268</u>	<u>\$ 25,110</u>	<u>\$ 192,212</u>
SUPPLEMENTARY INFORMATION				
Cash and cash equivalents	<u>\$ 55,834</u>	<u>\$ 111,268</u>	<u>\$ 25,110</u>	<u>\$ 192,212</u>
Total cash and cash equivalents	<u>\$ 55,834</u>	<u>\$ 111,268</u>	<u>\$ 25,110</u>	<u>\$ 192,212</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, 2019

	<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)	\$ 18,121	\$ 8,786	\$ 308	\$ 27,215
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	4,082	1,978	-	6,060
Restatement	-	25,983	-	25,983
Changes in assets and liabilities				
Accounts receivable	(377)	227	-	(150)
Other assets	(4,070)	(4,734)	-	(8,804)
Accounts payable	(1,073)	(16)	-	(1,089)
Accrued expenses and other liabilities	1,112	(1,058)	-	54
Due to other funds	-	(35,000)	-	(35,000)
Customer deposits	(6,879)	-	-	(6,879)
Other liabilities	6,780	7,889	-	14,669
Net cash provided by (used in) operating activities	<u>\$ 17,696</u>	<u>\$ 4,055</u>	<u>\$ 308</u>	<u>\$ 22,059</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, 2019

ASSETS

Current assets

Cash	\$ <u>13,466</u>
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Total assets	\$ <u>13,466</u>
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LIABILITIES

Current liabilities

Deposits held in trust for others	\$ <u>13,466</u>
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Total liabilities	\$ <u>13,466</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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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.

Committed – This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same type of action (for example, resolution or ordinance) it employed to previously commit those amounts. The Village has no committed funds at June 30, 2019.

Assigned – This classification includes amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed and should be reported as assigned fund balance. The Village no assigned fund balances at June 30, 2019.

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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

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

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

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

3. CASH AND INVESTMENTS

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Village will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Village does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. As of June 30, 2019, the Village's bank balance total, \$1,092,500, of which \$563,454 was exposed to no custodial credit risk.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

3. CASH AND INVESTMENTS (CONTINUED)

At June 30, 2019, 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, 2019, were as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>TOTAL</u>
Accounts receivable	\$ -	\$ 13,695	\$ 13,695
Grant receivable	46,709	-	-
Taxes receivable	<u>10,636</u>	<u>-</u>	<u>10,636</u>
	<u>\$ 57,345</u>	<u>\$ 13,695</u>	<u>\$ 71,040</u>

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, 2019

5. CAPITAL ASSETS

Changes in Capital Assets-Capital asset activity for the Village's primary government for the year ended June 30, 2019, was as follows:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Balance June 30, 2019</u>
Government activities:			
Capital assets not being depreciated:			
Land	\$ 50,000	\$ -	\$ 50,000
Total capital assets not being depreciated	50,000	-	50,000
Capital Assets, being depreciated			
Infrastructure	6,722,227	-	6,722,227
Buildings	1,269,940	-	1,269,940
Equipment	84,460	32,519	116,979
Vehicles	<u>600,856</u>	<u>-</u>	<u>600,856</u>
Total capital assets, being depreciated	<u>8,677,483</u>	<u>32,519</u>	<u>8,710,002</u>
Total capital assets	<u>8,727,483</u>	<u>32,519</u>	<u>8,760,002</u>
Less accumulated depreciation for:			
Building	381,893	26,456	408,349
Equipment	80,791	2,665	83,456
Vehicles	<u>314,286</u>	<u>23,753</u>	<u>338,039</u>
Total accumulated depreciation	<u>776,970</u>	<u>52,874</u>	<u>829,844</u>
Total capital assets, net	<u>\$ 7,950,513</u>	<u>\$ (20,355)</u>	<u>\$ 7,930,158</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ <u>52,874</u>
Total depreciation expense	\$ <u>52,874</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

5. CAPITAL ASSETS (CONTINUED)

Business-type activities:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Balance June 30, 2019</u>
Water and Sewer			
Capital assets not being depreciated:			
Land	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-
Other Capital Assets			
Building	114,224	-	114,224
Equipment	5,583,532	-	5,583,532
Vehicles	19,800	10,951	30,751
Total capital assets at historical cost	<u>5,717,556</u>	<u>10,951</u>	<u>5,728,507</u>
Total capital assets	<u>5,717,556</u>	<u>10,951</u>	<u>5,728,507</u>
Less accumulated depreciation			
Buildings	53,633	3,078	56,711
Equipment	5,583,532	-	5,583,532
Vehicles	19,800	1,004	20,804
Total accumulated depreciation	<u>5,656,965</u>	<u>4,082</u>	<u>5,661,047</u>
Water and sewer capital assets, net	<u>\$ 60,591</u>	<u>\$ 6,869</u>	<u>\$ 67,460</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

5. CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2018	Additions	Transfer	Balance June 30, 2019
Solid Waste				
Capital assets not being depreciated:				
Land	\$ 2,078,000	\$ -	\$ 59,480	\$ 2,137,480
CIP	59,480	-	(59,480)	-
Total capital assets not being depreciated	2,137,480	-	-	2,137,480
Building	12,935	-	-	12,935
Equipment	127,900	-	-	127,900
Vehicles	16,545	-	-	16,545
Assets at historical cost	157,380	-	-	157,380
Total capital assets	2,294,860	-	-	2,294,860
Less accumulated depreciation				
Building	4,578	323	-	4,901
Equipment	127,900	-	-	127,900
Vehicles	14,891	1,655	-	16,546
Total accumulated depreciation	147,369	1,978	-	149,347
Solid waste capital assets, net	2,147,491	(1,978)	-	2,145,513
TOTAL BUSINESS TYPE NET CAPITAL ASSETS	\$ 2,147,491	\$ (1,978)	\$ -	\$ 2,212,973

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

6. LONG TERM DEBT:

A summary of activity of other liabilities is as follows:

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/19</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
Other liabilities					
Fire truck loan (New Mexico Finance Authority 3139-PP)	\$ 69,100	\$ -	\$ 69,100	\$ -	\$ -
Total	\$ 69,100	\$ -	\$ 69,100	\$ -	\$ -

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.

7. PROPERTY TAXES

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

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

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.

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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

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

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, Village of Roy reported a liability of \$176,975 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019.

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, 2019, the Village's proportion was 0.01109%, which was an increase of 0.0054%, from its proportion measured as of June 30, 2018.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

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

Contributions -See PERA's comprehensive annual financial report for the contribution rates and pension factors as of July 1, 2018.

	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 %

For the year ended June 30, 2019, the Village recognized pension expense of \$30,602. At June 30, 2019, the Village reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

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

	Deferred Outflows of Resources	Deferred inflows of Resources
Differences between expected and actual experience	\$ 5,116	\$ 4,646
Changes of assumptions	16,045	1,018
Net difference between projected and actual earnings on pension plan investments	13,125	-
Changes in proportion and differences between Village of Roy contributions and proportionate share of contributions	19,973	3,624
Village of Roy contributions subsequent to the measurement date	<u>7,287</u>	<u>-</u>
Total	<u>\$ 61,546</u>	<u>\$ 9,288</u>

In June 30, 2019 \$7,287, 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:

Year Ended June 30:	Municipal General Division
2020	22,722
2021	13,982
2022	7,548
2023	719

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.

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

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

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
Global Equity	43.5 %	7.48 %
Risk Reduction & Mitigation	21.5	2.37
Credit Oriented Fixed Income	15.0	5.47
Real Assets	<u>20.0</u>	6.48
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, 2018 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, 2018 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2018 actuarial valuation.

Actuarial valuation date	June 30, 2017
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)

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

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

Discount rate: The discount rate used to measure the total pension liability was 7.25 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 68. Therefore, the 7.25 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 (6.25%) or one percentage point higher (8.25%) than the single discount rate.

PERA Municipal General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Village of Roy's proportionate share of the net pension liability	\$ 272,707	\$ 176,975	\$ 97,838

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

Payable Changes in the Net Pension Liability – At June 30, 2019, the Village reported a payable of \$622 for outstanding contributions due to PERA for the year ended June 30, 2019.

9. POST-EMPLOYMENT BENEFITS

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

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

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.

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 \$33,158 as follows:

	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
Grants Fund	\$ -	\$ 33,143	\$ (33,143)
Capital project Fund	<u>155,905</u>	<u>155,920</u>	<u>(15)</u>
Total	<u>\$ 155,905</u>	<u>\$ 189,063</u>	<u>\$ (33,158)</u>

13. RESTATEMENT

The Village has determined that the DFA schedule maintained is not updated. During testwork it was noted that \$18,542 of error. Please see finding 2019-008 (2017-002), Cash by Fund.

	<u>Governmental</u>	<u>Enterprise</u>
Cash error	<u>\$ 7,441</u>	<u>\$ 25,983</u>
TOTAL	<u>\$ 7,441</u>	<u>\$ 25,983</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
NOTES TO BASIC FINANCIAL STATEMENTS
As of and For the Year Ended JUNE 30, 2019

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 31, 2019, 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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village of Roy's proportion of the net pension liability	\$ 176,975	\$ 126,417	\$ 140,594	\$ 102,978	\$ 75,670
Village of Roy's proportionate share of the net pension liability	0.0111%	0.0092%	0.0088%	0.0097%	0.0101%
Village of Roy's covered-employee payroll	78,385	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	225.77%	138.80%	170.64%	145.83%	92.44%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,348	\$ 7,696	\$ 7,745	\$ 6,591	\$ 7,693
Contributions in relation to the contractually required contribution	<u>5,348</u>	<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>78,385</u>	<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>6.83%</u>	<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, 2019

Changes of benefit terms- The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at <http://www.nmpera.org/assets/uploads/downloads/Schedule-of-Employer-Allocation-for-report-FY18-Edited.pdf>

Changes of assumptions- The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2018 is available at <http://www.nmpera.org/assets/uploads/downloads/Schedule-of-Employer-Allocation-for-report-FY18-Edited.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 \$144 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended 2018. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at <http://www.nmpera.org/assets/uploads/downloads/Schedule-of-Employer-Allocation-for-report-FY18-Edited.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, 2019

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, 2019

	EMS	Recreation	Municipal Street Fund	Total
ASSETS				
Cash and cash equivalents	\$ 27,054	\$ -	\$ 53,171	\$ 80,225
Total assets	27,054	-	53,171	80,225
LIABILITIES AND FUND BALANCE				
Fund balance:				
Unreserved	27,054	-	53,171	80,225
Total fund balance	27,054	-	53,171	80,225
Total liabilities and fund balance	\$ 27,054	\$ -	\$ 53,171	\$ 80,225

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, 2019

	<u>EMS</u>	<u>Recreation</u>	<u>Municipal Street Fund</u>	<u>Total</u>
REVENUES				
Gas tax	\$ -	\$ -	\$ 4,587	\$ 4,587
State grant	5,472	-	-	5,472
Gross receipts tax	-	-	3,522	3,522
	<u>5,472</u>	<u>-</u>	<u>8,109</u>	<u>13,581</u>
Total revenues	5,472	-	8,109	13,581
EXPENDITURES				
Public safety	5,195	-	-	5,195
Public works	-	-	2,475	2,475
	<u>5,195</u>	<u>-</u>	<u>2,475</u>	<u>7,670</u>
Total expenditures	5,195	-	2,475	7,670
Excess (Deficiency) of revenues over expenditures	<u>277</u>	<u>-</u>	<u>5,634</u>	<u>5,911</u>
Other financing sources (uses)				
Transfers in (out)	<u>26,777</u>	<u>(24,498)</u>	<u>42,489</u>	<u>44,768</u>
Total other sources (uses)	26,777	(24,498)	42,489	44,768
Net change in fund balance	27,054	(24,498)	48,123	50,679
Fund balance, beginning of year	<u>-</u>	<u>24,498</u>	<u>5,048</u>	<u>29,546</u>
Fund balance, end of year	<u>\$ 27,054</u>	<u>\$ -</u>	<u>\$ 53,171</u>	<u>\$ 80,225</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2019

Beginning cash	\$ 13,166
Additions	300
Deletions	<u>-</u>
Ending cash	<u>\$ 13,466</u>
Beginning liabilities	\$ 13,166
Additions	300
Deletions	<u>-</u>
Ending liabilities	<u>\$ 13,466</u>

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF DEPOSITORIES
AS OF JUNE 30, 2019

Community First Bank Name of Account	Balance Per Bank 06/30/19	Outstanding deposits/check	Reconciled Balance	Type
General Fund	\$ 243,706	\$ 5,136	\$ 250,577	Checking
Fire Protection	103,899	-	103,899	Checking
Grant Funds	458,992	-	458,992	Checking
EMS	27,054	-	27,054	Checking
Municipal Street	53,171	-	53,171	Checking
Water and Sewer	55,834	-	55,834	Checking
Solid Waste	111,268	-	111,268	Checking
Agency Fund	13,466	-	13,466	Checking
Cemetery Fund	<u>25,110</u>	<u>-</u>	<u>25,110</u>	Checking
Total deposited	1,092,500	5,136	1,099,371	
Petty cash	<u>350</u>		<u>350</u>	
Total Cash	1,092,850		<u>\$ 1,099,721</u>	
Less: FDIC coverage	<u>(250,000)</u>			
Uninsured amount	842,850			
50% collateral requirement	421,425			
Pledged securities	<u>820,000</u>			
Over (under) requirement	<u>\$ 398,575</u>			
Governmental Cash	\$ 884,456			
Governmental Cash - Restricted	9,587			
Business Cash	192,212			
Business Cash - Restricted	-			
Agency Cash	<u>13,466</u>			
Total	<u>\$ 1,099,721</u>			

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2019

The following securities are pledged at:

Description	CUSIP#	Fair Value	Maturity Date	Held By
FNMA	912828XB1	\$ 600,000	5/15/2021	Vining Sparks
FNMA	734540HW0	<u>220,000</u>	3/15/2021	Vining Sparks
		<u>\$ 820,000</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. Brian S. Colón
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, 2019, 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 13, 2019.

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. 2019-006 (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. (2019-008 (2017-002), 2019-001, 2019-002, 2019-003, 2019-004, 2019-005).

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*. 2019-007 (2014-001)

The Village of Roy's Response to Findings

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

Purpose of this Report

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


Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 13, 2019

STATE OF NEW MEXICO
VILLAGE OF ROY
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|-----------|
| 1. Type of auditors' report issued | Qualified |
| 2. Internal control over financial reporting: | |
| a. Materials weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

STATE OF NEW MEXICO
VILLAGE OF ROY
SUMMARY SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Prior audit findings	Current status
2019-006 (2003-002) Capital Assets	Repeated and Modified
2019-007 (2014-001) Expenses in Excess of Budget	Repeated and Modified
2017 -001 Journal Entries Approval	Resolved
2019-008 (2017 -002) Cash by fund	Repeated
2018-001 Pledge Collateral	Resolved
2018-002 Certified Procurement Officer	Resolved
Current year findings:	
2019-001 Untimely Payments	New
2019-002 Per Diem and Mileage	New
2019-003 Differences in Gross Receipt Tax	New
2019-004 Internal Control Over Water Billing	New
2019-005 Late Audit Contract	New

STATE OF NEW MEXICO
VILLAGE OF ROY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets not compliant with DFA and GASB 34 Requirements 2019-006 (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, 2019, 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, 2019. The Village is working on the fixed assets schedule to update the values.</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: 06/30/2020

Employee Responsible: Village Clerk

STATE OF NEW MEXICO
 VILLAGE OF ROY
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2019

Expenses in Excess of Budget 2019-007 (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, 2019 the Village remitted payments for goods and services in excess of the adopted budget as follows:

	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
Grant Fund	\$ -	\$ 33,143	\$ (33,143)
Capital project	155,905	155,920	(15)
Total	155,905	189,063	(33,158)

Excess expenditures for the fiscal year ended June 30, 2019 were noted in two funds, and totaled over \$33,158. Village did approve several budget amendment during the fiscal year ended June 30, 2019, however, close to the 2019 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. The Village had not made any progress from the prior year.

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, 2019

Expenses in Excess of Budget 2019-007 (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, 2020

Employee Responsible: Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

Cash by fund 2019-008 (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. The Village is working with DFA to fix the report to reflect the cash per funds correctly. The Village has a restatement \$18,542 to fix the errors in the financial statements.
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, 2020 **Employee Responsible:** Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

Untimely Payments (2019-001) - Significant Deficiency

CONDITION	During our testwork, we noted that the Village received an invoices from two vendors. The first one was received on 04/30/2019 with a stated due date of 05/28/2019, but this invoice was not paid until 07/25/2019. The invoice amount totaled \$677.03; as a result the Village paid penalty and interest \$31.53. The second one was received on 07/01/2019 with a stated due date of 07/01/2019, but this invoice was not paid until 07/31/2019.
CRITERIA	<p>Per the Prompt Payment Act 5 CFR Part 1315: A payment is due on whichever of these four conditions applies:</p> <ol style="list-style-type: none">1. The date specified in the contract2. In accordance with discount terms when the vendor has offered a discount and the agency has accepted those terms3. On an accelerated schedule when the conditions for accelerated payments apply4. 30 days after the agency has received a proper invoice <p>When calculating the payment due date, "day" means a calendar day including weekends and federal holidays.</p> <p>When the payment due date, including a discount due date, falls on a weekend or federal holiday, the payment is due on the following business day.</p>
CAUSE	The Village had change in Management resulting in a delay in payment of the invoice due to management oversight.
EFFECT	The Village is in non-compliance with the Prompt Payment Act.
RECOMMENDATION	The Village should ensure process' are in place to follow the rules in Prompt Payment Act.
RESPONSE	The Village will seek to pay all bills on time to avoid any penalties, interests or late fees.

Expected Completion Date: June 30, 2020 **Employee Responsible:** Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

Per Diem and Mileage (2019-002) - Significant Deficiency

CONDITION	During the per diem testwork performed, it was noted that the Village used \$0.55 per mileage instead of using \$0.43 for mileage reimbursement. Two out of five per diem tested used \$0.55 per mile which amounted to be a \$94.8 over paid.
CRITERIA	The state rate to reimburse the mileage is \$0.43 per mileage.
CAUSE	The management did not update the reimbursement form.
EFFECT	It will lead the Village to over pay the reimbursement per mileage.
RECOMMENDATION	It is recommended that the Village updates the reimbursement form yearly to comply with the state rate.
RESPONSE	The Village will update the reimbursement form to reflect the corrected rate per state.

Expected Completion Date: June 30, 2020 **Employee Responsible:** Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

Differences in Gross Receipt Tax (2019-003) - Significant Deficiency

CONDITION	During our revenue testwork performed, we noted that one out of five bills had the old Gross Receipt Tax %6.9375. The Gross Receipt Tax in Roy is %7.3125. The Village paid \$30.53 in FY19 to cover the differences between the old rate and the new rate.
CRITERIA	Per FYI-105, the gross receipts tax rate varies throughout the state from 5.125% to 9.25%. The total rate is a combination of the rates imposed by: <ol style="list-style-type: none">1. The state,2. The counties, and3. The municipalities.
CAUSE	The Village does not have proper internal controls over water billing for FY19.
EFFECT	The Village is at risk of errors or fraud being committed without the Village detection or correcting them. Futher, The Village is at risk to cover the differences in the rates from the Village's money.
RECOMMENDATION	Management should ensure that the proper internal control processes to be followed with all billing process.
RESPONSE	The Village will design internal control policy to be followed with all billing process.

Expected Completion Date: June 30, 2020 **Employee Responsible:** Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

Internal Control over Water Billing (2019-004) - Significant Deficiency

CONDITION	During our water billing testwork performed, we noted that four out of twenty bills had some typo errors in the meter reading details. There are discrepancies between the meter reading usage compared to the calculated corresponding charges.
CRITERIA	Section 6.20.2.11 of NMAC requires each entity to develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.
CAUSE	The Village does not have proper internal controls over water billing for FY19.
EFFECT	The Village is at risk of errors or fraud being committed without the Village detection or correcting them.
RECOMMENDATION	Management should ensure that the proper internal control processes to be followed with all billing process.
RESPONSE	The Village will design internal control policy to be followed with all billing process.

Expected Completion Date: June 30, 2020 **Employee Responsible:** Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

Late Audit Contract (2019-005) - Significant Deficiency

CONDITION	The New Mexico State Auditor's Rule requires the Village to submit their Independent Public Accountant (IPA) Recommendation Form, and signed audit contract for the audit for the fiscal year ended June 30, 2019, no later than May 15, 2019. The Village failed to submit the IPA Recommendation Form by the required due date.
CRITERIA	Section 2.2.2.8(G)(6)(c) of the 2015 New Mexico State Auditor's Rule states, "The agency shall deliver the fully completed and signed IPA Recommendation Form for Audits and the completed audit contract to the State Auditor by the deadlines shown below. If a completed IPA Recommendation Form and audit contract are not delivered to the State Auditor by these deadlines, the auditor must include a finding of noncompliance with Paragraph (6) of Subsection G of Section 2.2.2.8 NMAC in the audit report."
CAUSE	The Village had change in Management resulting in a delay in submitting the audit contract on time.
EFFECT	This requirement instituted by State Auditor's office in an effort to ensure the timely execution of audit contracts for state and local governmental entities. Issuance of timely contracts allows governmental agencies and auditing firms to begin the audit process aiding in the submission of timely audit reports.
RECOMMENDATION	We recommend the Village become current with the submission of audits. Once that is completed, the Village can comply with the timely selection of auditing firms specified in the New Mexico State Auditor's Rule.
RESPONSE	The Village will send the audit contract for FY20 on time.

Expected Completion Date: June 30, 2020 **Employee Responsible:** Mayor

STATE OF NEW MEXICO
VILLAGE OF ROY
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

The financial statements of the Village of Roy as of, and for the year ended, June 30, 2019 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, 2019

An entrance conference was conducted September 10, 2019 in a closed meeting of the Village of Roy pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Roy

Matthew Bara	Mayor
Donna Milson	Mayor Pro Tem
Danny Laumbach	Clerk/ Treasurer

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Audit Senior
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An exit conference was conducted September 12, 2019 in a closed meeting of the Village of Roy pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Village of Roy

Matthew Bara	Mayor
Donna Milson	Mayor Pro Tem
Danny Laumbach	Clerk/ Treasurer
Ashleigh R Sullivan	Deputy Clerk

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Audit Senior
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A second exit conference was conducted December 13, 2019 in a closed meeting of the Village of Roy to update Governance:

Village of Roy

Matthew Bara	Mayor
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Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Audit Senior
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