



**STATE OF NEW MEXICO  
VILLAGE OF LOVING**

**ANNUAL FINANCIAL REPORT**  
June 30, 2008

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Melrose, New Mexico



STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
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 For the Year Ended June 30, 2008

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STATE OF NEW MEXICO  
VILLAGE OF LOVING  
Official Roster  
June 30, 2008

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**BOARD OF TRUSTEES**

Pete H. Estrada	Mayor
George M. Brewer	Councilor
Ricky C. Fuentes	Councilor
Arturo L. Munoz	Councilor
Serapio Parraz	Councilor

**ADMINISTRATIVE OFFICIAL**

Manuel Garza	Clerk/Treasurer
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Independent Auditor's Report

Mr. Hector H. Balderas  
State Auditor of the State of New Mexico  
Board Members of the VILLAGE OF LOVING

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the VILLAGE OF LOVING, (Village), as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity 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 the Village as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all the nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2008, on our consideration of the Village'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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Village has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*De'Ann Willoughby, CPA PC*

December 1, 2008

## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
Statement of Net Assets  
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 375,521	\$ 27,569	\$ 403,090
Receivables			
Accounts, net of allowance for uncollectibles	0	34,500	34,500
Taxes	28,152	559	28,711
Total Current Assets	<u>403,673</u>	<u>62,628</u>	<u>466,301</u>
Noncurrent Assets			
Restricted Cash	0	34,551	34,551
Capital Assets	2,664,051	5,360,473	8,024,524
Less: Accumulated Depreciation	(1,439,728)	(1,786,252)	(3,225,980)
Total Noncurrent Assets	<u>1,224,323</u>	<u>3,608,772</u>	<u>4,833,095</u>
Total Assets	<u>1,627,996</u>	<u>3,671,400</u>	<u>5,299,396</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	9,227	4,513	13,740
Accrued Interest	0	4,823	4,823
Accrued Salaries	0	0	0
Current Portion of Long-Term Debt	2,461	2,000	4,461
Total Current Liabilities	<u>11,688</u>	<u>11,336</u>	<u>23,024</u>
Noncurrent Liabilities			
Bonds and Notes	32,086	160,700	192,786
Compensated Absences	18,087	6,399	24,486
Customer Deposits	0	28,871	28,871
Total Noncurrent Liabilities	<u>50,173</u>	<u>195,970</u>	<u>246,143</u>
Total Liabilities	<u>61,861</u>	<u>207,306</u>	<u>269,167</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,189,776	3,441,249	4,631,025
Unrestricted	376,359	22,845	399,204
Total Net Assets	<u>\$ 1,566,135</u>	<u>\$ 3,464,094</u>	<u>\$ 5,030,229</u>

The notes to the financial statements are an integral part of this statement.



STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 Statement of Activities  
 For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net(Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 315,591	\$ 2,340	\$ 129,277	\$ 0	\$ (183,974)	\$ 0	\$ (183,974)
Public Safety	398,372	88,035	153,326	0	(157,011)	0	(157,011)
Public Works	83,514	0	0	0	(83,514)	0	(83,514)
Culture & Recreation	20,809	0	5,303	0	(15,506)	0	(15,506)
<b>Total Governmental Activities</b>	<u>818,286</u>	<u>90,375</u>	<u>287,906</u>	<u>0</u>	<u>(440,005)</u>	<u>0</u>	<u>(440,005)</u>
<b>Business-type Activities</b>							
Water	302,602	200,762	0	255,530	0	153,690	153,690
Waste Disposal	60,298	40,960	0	0	0	(19,338)	(19,338)
<b>Total Business-type Activities</b>	<u>362,900</u>	<u>241,722</u>	<u>0</u>	<u>255,530</u>	<u>0</u>	<u>134,352</u>	<u>134,352</u>
<b>General Revenues</b>							
Taxes							
Property					8,208	0	8,208
Gross Receipts					331,986	7,876	339,862
Franchise					20,593	0	20,593
Cigarette					3,956	0	3,956
Gasoline					25,212	0	25,212
Miscellaneous					36,343	72	36,415
<b>Total General Revenues and Transfers</b>					<u>426,298</u>	<u>7,948</u>	<u>434,246</u>
<b>Other Items</b>							
Transfer In (Out)					(9,802)	9,802	0
Change in Net Assets					(23,509)	152,102	128,593
Net Assets - beginning					1,589,644	3,311,992	4,901,636
Net Assets - ending					<u>\$ 1,566,135</u>	<u>\$ 3,464,094</u>	<u>\$ 5,030,229</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2008

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	<u>General Fund</u>	<u>Fire Fund</u>	<u>Non-Major Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 347,277	\$ 13,968	\$ 14,276
Receivables (Net of Allowance for Uncollectibles if Applicable)	28,021	0	131
Total Assets	<u>\$ 375,298</u>	<u>\$ 13,968</u>	<u>\$ 14,407</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 6,490	\$ 1,676	\$ 1,061
Total Liabilities	<u>6,490</u>	<u>1,676</u>	<u>1,061</u>
<b>Fund Balances</b>			
<b>Unreserved Reported In:</b>			
General Fund	368,808	0	0
Special Revenue Fund	0	12,292	13,346
Total Fund Balances	<u>368,808</u>	<u>12,292</u>	<u>13,346</u>
Total Liabilities and Fund Balances	<u>\$ 375,298</u>	<u>\$ 13,968</u>	<u>\$ 14,407</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2008

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	<u>Total Governmental Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 375,521
Receivables (Net of Allowance for Uncollectibles if Applicable)	28,152
Total Assets	<u>\$ 403,673</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 9,227
Total Liabilities	<u>9,227</u>
<b>Fund Balances</b>	
<b>Unreserved Reported In:</b>	
General Fund	368,808
Special Revenue Fund	25,638
Total Fund Balances	<u>394,446</u>
Total Liabilities and Fund Balances	<u>\$ 403,673</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Assets  
 June 30, 2008

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Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$	394,446
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets	\$	2,664,051	
Accumulated depreciation is		<u>(1,439,728)</u>	1,224,323

Property taxes receivable will be collected during the next year but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Bond payable	(34,547)	
Compensated Absences	<u>(18,087)</u>	<u>(52,634)</u>

Total net assets - governmental activities	\$	<u><u>1,566,135</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and Changes  
in Fund Balances  
For the Year Ended June 30, 2008

	General Fund	Fire Fund 1203	Non-Major Governmental Funds
<b>Revenues</b>			
Taxes	\$ 389,836	\$ 0	\$ 1,322
Charge for Service	19,988	0	460
Fines & Forfeits	67,587	0	0
License & Permits	1,520	0	820
Grants	225,910	61,995	0
Interest	805	140	0
Miscellaneous	28,793	0	6,605
Total Revenues	<u>734,439</u>	<u>62,135</u>	<u>9,207</u>
<b>Expenditures</b>			
Current			
General	256,884	0	0
Public Safety	314,317	51,896	0
Public Works	47,859	0	15,326
Cultural & Recreation	3,900	0	1,280
Debt Services			
Principal	2,461	0	0
Capital Outlay	0	24,624	0
Total Expenditures	<u>625,421</u>	<u>76,520</u>	<u>16,606</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>109,018</u>	<u>(14,385)</u>	<u>(7,399)</u>
<b>Other Financing Sources and Uses</b>			
Transfer Out	(9,802)	0	0
Total Other Financing Sources and Uses	<u>(9,802)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	99,216	0	0
Fund Balances at Beginning of Year	<u>269,592</u>	<u>26,677</u>	<u>20,745</u>
Fund Balance End of Year	<u>\$ 368,808</u>	<u>\$ 12,292</u>	<u>\$ 13,346</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 GOVERNMENTAL FUNDS  
 Statement of Revenues, Expenditures and Changes  
 in Fund Balances  
 For the Year Ended June 30, 2008

	Total Governmental Funds
Revenues	
Taxes	\$ 391,158
Charge for Service	20,448
Fines & Forfeits	67,587
License & Permits	2,340
Grants	287,905
Interest	945
Miscellaneous	35,398
Total Revenues	<u>805,781</u>
Expenditures	
Current	
General	256,884
Public Safety	366,213
Public Works	63,185
Cultural & Recreation	5,180
Debt Services	
Principal	2,461
Capital Outlay	24,624
Total Expenditures	<u>718,547</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>87,234</u>
Other Financing Sources and Uses	
Transfer Out	(9,802)
Total Other Financing Sources and Uses	<u>(9,802)</u>
Net Change in Fund Balance	77,432
Fund Balances at Beginning of Year	<u>317,014</u>
Fund Balance End of Year	<u>\$ 394,446</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2008

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Net Change in Fund Balance \$ 77,432

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities. (1,202)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$	(125,259)	
Capital Outlays		<u>24,624</u>	(100,635)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 2,461

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (1,565)

Changes in Net Assets of Governmental Activities \$ (23,509)

The notes to the financial statements are an integral part of this statement.

## STATE OF NEW MEXICO

## VILLAGE OF LOVING

## GENERAL FUND

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 8,424	\$ 8,424	\$ 9,199	\$ 775
Franchise Taxes	22,000	22,000	21,378	(622)
Gross Receipt Tax	223,044	223,044	335,725	112,681
Gas Tax	26,484	26,484	25,907	(577)
Cigarette Tax	2,600	2,600	2,676	76
License & Permits	1,500	1,500	1,520	20
Charge for Services	21,101	21,101	22,840	1,739
Fines & Forfeits	57,846	57,846	67,587	9,741
Interest Income	500	500	804	304
Rents & Royalties	10,616	10,616	8,989	(1,627)
Miscellaneous	11,648	11,648	19,804	8,156
Grants	379,147	379,147	225,910	(153,237)
Total Revenues	<u>764,910</u>	<u>764,910</u>	<u>742,339</u>	<u>(22,571)</u>
<b>Expenditures</b>				
<b>Legislative</b>				
Salaries	5,985	5,985	5,985	0
Benefits	609	609	612	(3)
Professional Fees	58,444	58,444	58,443	1
Travel	447	447	446	1
Insurance	13,113	13,113	28,300	(15,187)
Miscellaneous	31,845	31,845	31,786	59
Total Legislative	<u>110,443</u>	<u>110,443</u>	<u>125,572</u>	<u>(15,129)</u>
<b>Judicial</b>				
Salaries	17,528	17,528	17,528	0
Benefits	2,961	2,961	2,959	2
Travel	1,110	1,110	1,110	0
Office	1,917	1,917	1,496	421
Supplies	774	774	1,155	(381)
Postage	31,845	31,845	0	31,845
Internet	0	0	313	(313)
Miscellaneous	460	460	450	10
Insurance	145	145	145	0
Telephone	2,451	2,451	2,095	356
Total Judicial	<u>59,191</u>	<u>59,191</u>	<u>27,251</u>	<u>31,940</u>
<b>Election</b>				
	<u>2,000</u>	<u>0</u>	<u>1,865</u>	<u>1,865</u>
Total Election	<u>\$ 2,000</u>	<u>\$ 0</u>	<u>\$ 1,865</u>	<u>\$ 1,865</u>



STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
GENERAL FUND  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Financial Department</b>				
Salaries	\$ 66,496	\$ 66,496	\$ 66,496	\$ 0
Benefits	14,099	14,099	13,560	539
Supplies	2,081	2,081	2,079	2
Advertising	3,207	3,207	3,207	0
Postage	2,554	2,554	2,554	0
Postage Meter	886	886	513	373
Copier Maint. Agreement	1,113	1,113	933	180
Miscellaneous	184	184	50	134
Office	2,422	2,422	2,421	1
General Ledger	0	0	3,978	(3,978)
Insurance	500	500	1,006	(506)
Telephone	5,175	5,175	5,087	88
Travel & Taining	1,329	1,329	1,329	0
<b>Total Financial Department</b>	<b>100,046</b>	<b>100,046</b>	<b>103,213</b>	<b>(3,167)</b>
<b>Police</b>				
Salaries	156,147	156,147	156,147	0
Benefits	18,407	18,407	18,404	3
Auto	36,233	36,233	36,232	1
Travel & Training	726	726	726	0
Insurance	67,905	67,905	61,031	6,874
Supplies	5,861	5,861	4,003	1,858
Telephone	2,624	2,624	2,437	187
Repairs & Maintenance	1,729	1,729	1,341	388
Data Processing	3,356	3,356	3,355	1
Other	6,119	6,119	6,389	(270)
Office	2,866	2,866	2,866	0
<b>Total Police</b>	<b>301,973</b>	<b>301,973</b>	<b>292,931</b>	<b>9,042</b>
<b>Fire Dept</b>				
Salaries	3,636	3,636	3,639	(3)
Benefits	323	323	350	(27)
Travel & Training	152,230	152,230	2,080	150,150
Insurance	1,003	1,003	611	392
<b>Total Fire Department</b>	<b>157,192</b>	<b>157,192</b>	<b>6,680</b>	<b>150,512</b>
<b>Law Enforcement Protection</b>				
Training	2,000	2,000	1,083	917
Supplies	13,209	13,209	9,506	3,703
Maintenance	2,100	2,100	0	2,100
Capital Outlay	6,315	6,315	0	6,315
<b>Total Law Enforcement</b>	<b>\$ 23,624</b>	<b>\$ 23,624</b>	<b>\$ 10,589</b>	<b>\$ 13,035</b>

## STATE OF NEW MEXICO

## VILLAGE OF LOVING

## GENERAL FUND

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Emergency Medical Service</b>				
Auto	\$ 1,700	\$ 1,700	\$ 230	\$ 1,470
Medical Supplies	4,461	4,461	1,541	2,920
Insurance	2,052	2,052	902	1,150
Travel & Training	4,918	4,918	632	4,286
Professional Fees	1,998	1,998	1,997	1
Total Emergency Medical	<u>15,129</u>	<u>15,129</u>	<u>5,302</u>	<u>9,827</u>
<b>Community Center</b>				
Supplies	1,800	1,800	31	1,769
Maintenance	600	600	13	587
Insurance	664	664	0	664
Utilities	2,900	2,900	2,492	408
Total Community Center	<u>5,964</u>	<u>5,964</u>	<u>2,536</u>	<u>3,428</u>
<b>Parks</b>				
Auto	550	550	152	398
Maintenance	850	850	50	800
Supplies	955	955	4	951
Utilities	1,145	1,145	1,145	0
Total Parks	<u>3,500</u>	<u>3,500</u>	<u>1,351</u>	<u>2,149</u>
<b>Public Works</b>				
Salaries	19,760	19,760	6,915	12,845
Benefits	2,806	2,806	714	2,092
Maintenance	7,000	7,000	6,632	368
Insurance	2,400	2,400	1,213	1,187
Supplies	4,400	4,400	4,406	(6)
Other	128	128	127	1
Utilities	6,654	6,654	6,494	160
Total Public Works	<u>43,148</u>	<u>43,148</u>	<u>26,501</u>	<u>16,647</u>
<b>Streets</b>				
Auto	3,695	3,695	3,468	227
Supplies	13,305	13,305	3,693	9,612
Maintenance	5,000	5,000	3,735	1,265
Utilities	12,052	12,052	11,905	147
Other	300	300	248	52
Total Streets	<u>34,352</u>	<u>34,352</u>	<u>23,049</u>	<u>11,303</u>
<b>Debt Service</b>				
Principal	0	0	2,461	(2,461)
Total Debt Service	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,461</u>	<u>\$ (2,461)</u>

## STATE OF NEW MEXICO

## VILLAGE OF LOVING

## GENERAL FUND

## Statement of Revenues, Expenditures, and Changes in Cash Balance -

## Budget and Actual (Budgetary Basis)

## For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Total Expenditures	\$ 854,562	\$ 854,562	\$ 629,301	\$ 229,587
Excess (Deficiency) of Revenues Over Expenditures	(89,652)	(89,652)	113,038	(252,158)
Other Sources and Uses				
Transfer to Solid Waste	32,428	32,428	9,802	22,626
Total Other Sources	32,428	32,428	9,802	22,626
Net Change in Cash Balance	(122,080)	(122,080)	103,236	225,316
Cash Balance Beginning of Year	244,041	244,041	244,041	0
Cash Balance End of Year	\$ 121,961	\$ 121,961	\$ 347,277	\$ 225,316
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 113,038	
Net change in Accounts Receivable			(7,901)	
Net change in Taxes Receivable			(1,202)	
Net change in Accounts Payable			3,112	
Net change in Accrued Salaries & Benefits			769	
Net change in Deferred Revenue			1,202	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 109,018	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
SPECIAL REVENUE FUND-FIRE FUND  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Fire Allotment	\$ 61,995	\$ 61,995	\$ 61,995	\$ 0
Interest Income	0	0	140	140
Total Revenues	<u>61,995</u>	<u>61,995</u>	<u>62,135</u>	<u>140</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Auto	6,076	6,076	6,074	2
Training	825	825	825	0
Maintenance	1,310	1,310	1,345	(35)
Supplies	15,894	15,894	15,894	0
Protective Clothing	10,381	10,381	10,380	1
Insurance	10,001	10,001	9,971	30
Office	430	430	430	0
Miscellaneous	150	150	150	0
Rentals	300	300	297	3
Telephone	1,471	1,471	1,471	0
Utilities	3,513	3,513	3,513	0
Capital Purchases	24,624	24,624	24,624	0
Total Expenditures	<u>74,975</u>	<u>74,975</u>	<u>74,974</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,980)	(12,980)	(12,839)	141
Cash Balance Beginning of Year	<u>26,807</u>	<u>26,807</u>	<u>26,807</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 13,827</u>	<u>\$ 13,827</u>	<u>\$ 13,968</u>	<u>\$ 141</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (12,839)	
Net change in Accounts Payable			<u>(1,546)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (14,385)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 PROPRIETARY FUND  
 Statement of Net Assets  
 June 30, 2008

ASSETS	Water	Waste Disposal	Total
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 27,569	\$ 0	\$ 27,569
Receivables (net of allowance for uncollectible accounts)			
Accounts	31,217	3,283	34,500
Taxes	0	559	559
Due From Waste Disposal	20,000	0	20,000
<b>Total Current Assets</b>	<u>78,786</u>	<u>3,842</u>	<u>82,628</u>
<b>Noncurrent Assets</b>			
Restricted Cash	34,551	0	34,551
Capital Assets	5,271,119	89,354	5,360,473
Less: Accumulated Depreciation	(1,740,398)	(45,854)	(1,786,252)
<b>Total Noncurrent Assets</b>	<u>3,565,272</u>	<u>43,500</u>	<u>3,608,772</u>
<b>Total Assets</b>	<u>3,644,058</u>	<u>47,342</u>	<u>3,691,400</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	4,513	0	4,513
Accrued Interest	4,823	0	4,823
Due To Water	0	20,000	20,000
Current Portion of Long-Term Debt	2,000	0	2,000
<b>Total Current Liabilities</b>	<u>11,336</u>	<u>20,000</u>	<u>31,336</u>
<b>Noncurrent Liabilities</b>			
Compensated Absences	6,399	0	6,399
Bonds and Notes	160,700	0	160,700
Customer Deposits	28,871	0	28,871
<b>Total Noncurrent Liabilities</b>	<u>195,970</u>	<u>0</u>	<u>195,970</u>
<b>Total Liabilities</b>	<u>207,306</u>	<u>20,000</u>	<u>227,306</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	3,363,198	0	3,363,198
Unrestricted	73,554	27,342	100,896
<b>Total Net Assets</b>	<u>\$ 3,436,752</u>	<u>\$ 27,342</u>	<u>\$ 3,464,094</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 PROPRIETARY FUND  
 Statement of Revenue, Expenses and Changes in Fund Net Assets  
 For the Year Ended June 30, 2008

	Water	Waste Disposal	Total
Operating Revenues			
Sales & Service	\$ 200,762	\$ 40,960	\$ 241,722
Total Operating Revenues	<u>200,762</u>	<u>40,960</u>	<u>241,722</u>
Operating Expenses			
Salaries & Benefits	108,605	36,804	145,409
Maintenance	12,286	4,014	16,300
Auto & Truck	10,763	6,421	17,184
Insurance	5,035	5,718	10,753
Utilities	19,495	0	19,495
Water Conservation Fee	4,255	0	4,255
Governmental Gross Receipts Tax	9,262	1,949	11,211
Other Operating Expense	14,804	559	15,363
Depreciation	110,902	4,833	115,735
Total Operating Expenses	<u>295,407</u>	<u>60,298</u>	<u>355,705</u>
Operating Income (Loss)	<u>(94,645)</u>	<u>(19,338)</u>	<u>(113,983)</u>
Nonoperating Revenue (Expenses)			
Taxes	0	7,876	7,876
Grants	255,530	0	255,530
Interest Income	72	0	72
Interest Expense	(7,195)	0	(7,195)
Total Nonoperating Revenue (Expense)	<u>248,407</u>	<u>7,876</u>	<u>256,283</u>
Other Items			
Transfer in	<u>0</u>	<u>9,802</u>	<u>9,802</u>
Change in Net Assets	153,762	(1,660)	152,102
Total Net Assets - Beginning	<u>3,282,990</u>	<u>29,002</u>	<u>3,311,992</u>
Total Net Assets - Ending	<u>\$ 3,436,752</u>	<u>\$ 27,342</u>	<u>\$ 3,464,094</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 PROPRIETARY FUND  
 Combined Statement of Cash Flows  
 For the Year Ended June 30, 2008

	Water	Waste Disposal	Total
<b>Cash Flows from Operating Activities</b>			
Cash Received From Customers	\$ 203,927	\$ 38,971	\$ 242,898
Cash Paid to Suppliers and Employees	(183,376)	(56,649)	(240,025)
Net Cash Provided by Operating Activities	<u>20,551</u>	<u>(17,678)</u>	<u>2,873</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Taxes	0	7,876	7,876
Operating Transfers In	0	9,802	9,802
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>17,678</u>	<u>17,678</u>
<b>Cash Flows from Capital &amp; Related Financing Activities</b>			
Grants received for Construction of Capital Assets	255,530	0	255,530
Acquisition and Construction of Capital Assets	(255,530)	0	(255,530)
Principal Paid	(2,000)	0	(2,000)
Interest Paid	(7,195)	0	(7,195)
Net Cash Provided by Capital & Related Financing Activities	<u>(9,195)</u>	<u>0</u>	<u>(9,195)</u>
<b>Cash Flows from Investing Activities</b>			
Interest Received	72	0	72
Net Cash Provided by Investing Activities	<u>72</u>	<u>0</u>	<u>72</u>
Net Increase (Decrease) in Cash	11,428	0	11,428
Cash Beginning Balance	50,692	0	50,692
Cash Ending Balance	<u>\$ 62,120</u>	<u>\$ 0</u>	<u>\$ 62,120</u>
Cash in the Bank	\$ 27,569	\$ 0	\$ 27,569
Restricted Cash in the Bank	34,551	0	34,551
Total Cash	<u>\$ 62,120</u>	<u>\$ 0</u>	<u>\$ 62,120</u>
<b>Reconciliation of Net Income to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ (94,645)	\$ (19,338)	\$ (113,983)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	110,902	4,833	115,735
Change in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	3,164	(53)	3,111
(Increase) Decrease in Taxes Receivable	0	87	87
Increase (Decrease) in Accounts Payable	2,071	(1,871)	200
Increase (Decrease) in Accrued Interest	(217)	0	(217)
Increase (Decrease) in Compensated Absences	(1,978)	(1,336)	(3,314)
Increase (Decrease) in Meter Deposits	1,254	0	1,254
Net Cash Provided by Operating Activities	<u>\$ 20,551</u>	<u>\$ (17,678)</u>	<u>\$ 2,873</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
VILLAGE OF LOVING  
Statement of Fiduciary Assets and Liabilities-Agency Funds  
For the Year Ended June 30, 2008

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 62
<b>Total Assets</b>	<u>\$ 62</u>
<b>Liabilities</b>	
Deposits Held for Others	\$ 62
<b>Total Liabilities</b>	<u>\$ 62</u>

See accompanying notes to the basic financial statements



**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Loving (Village), has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD & A) providing an analysis of the Village's overall financial position and results of operations.
- Financial Statements prepared using full-accrual accounting for all the Village's activities.
- A change in fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2008

In addition, in June 2001, the GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* - an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, *Certain Financial Note Disclosures*. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the Village.

**Financial Reporting Entity**

The VILLAGE OF LOVING was incorporated under the laws of the State of New Mexico. The Village operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Village is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Village may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Village has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Village members are financially accountable. There are no other primary governments with which the Village Board Members are financially accountable. There are no other primary governments with which the Village has a significant relationship.

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Village are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

#### **Basis of Presentation & Basis of Accounting**

##### ***Government-Wide Financial Statements (GWFS)***

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) 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 Assets at the fund financial statement level. The Village has no Fiduciary Funds. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program and 3) capital grants or contributions restricted to meeting capital requirements of a particular program. Taxes and other items not properly included amount program revenues are reported instead as general revenues. Indirect expenses are prorated based on direct expenses.

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.

##### ***Proprietary Fund Financial Statements***

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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.

**Fire Fund** - To account for the operation and maintenance of the Village Fire Department. Financing is primarily from an annual state fire allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

**Proprietary Funds** are accounted 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 Assets. The Village has presented the following major proprietary funds:

**Water and Waste Disposal Funds-** The funds are used to account for the provision of water, sewer and garbage services to the residents of the Village. Activities of the funds include administration, operations and maintenance of the water and sewer system and billing and collection activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Additionally, the Village reports the following non-major funds types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Measurement Focus and 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.

STATE OF NEW MEXICO  
VILLAGE OF LOVING  
Notes to the Financial Statements  
June 30, 2008

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The government wide, proprietary, and fiduciary fund financial 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 the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Village's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the Village's general revenues. Program revenues include charges for services or applicants who purchase, use or directly benefit from the goods or services provided by the given function.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budgetary Control

1. Prior to June 1, the Village's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The Village treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Trustees and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.

5. The level of budget authority is at the fund level.

Cash and Cash Equivalents

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Village is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Village may be invested in :

(a) bonds or negotiable securities of the United States, the state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(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.

Prepaid Items

Prepaid balances are for payments made by the Village in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

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

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Capital assets, which includes property, plant, 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:

Buildings, Improvements and Infrastructure	10-50 Years
Equipment	5-25 Years
Water System	10-50 Years

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The Village does not have any activity in short-term debt.

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet. There are no outstanding Capital Leases.

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.

Deferred Revenue

The Village reports deferred revenues on its Statement of Net Assets and Fund Balance Sheet. Deferred revenues arise when resources are received by the Village before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Village has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Compensated Absences

Village employees are entitled to certain compensated absences based on their employment classification and length of employment. Earned vacation, up to the amount the employee accrued each year, is allowed to be carried over from calendar year to the next. Upon termination, employees shall receive payment for unused accrued vacation. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds for the amounts that will be used or have matured, for example, as a result of employee resignations and retirements.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

**NOTE B: 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).

Reconciliations are located at the bottom of each budget actual.

**NOTE C: CASH AND INVESTMENTS**

The Village is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<b>Western Commerce Bank</b>	Balance Per Bank 06-30-08	Reconciled Balance	Type
<u>Name of Account</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
General Fund	\$ 345,401	\$ 343,075	Checking
Joint Water	32,621	27,569	Checking
Solid Waste Disposal	392	0	Checking
Loving Water Deposit	30,694	30,521	Checking
Juvenile Recreation	1,249	1,249	Checking
Fire Fund	13,968	13,968	Checking
Cemetery Fund	13,374	13,027	Checking
MVD	3,469	62	Checking
CD#311157	4,141	4,141	Savings
Water Loan Reserve	3,029	4,029	Savings
TOTAL Deposited	<u>448,338</u>	<u>\$ 437,641</u>	
Less: FDIC Coverage	<u>(108,170)</u>		
Uninsured Amount	340,168		
50% collateral requirement	170,084		
Pledged securities	<u>398,568</u>		
Over (Under) requirement	<u>\$ 228,484</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.



STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
Notes to the Financial Statements  
June 30, 2008

The following securities are pledged at Western Commerce Bank:

Description	CUSIP #	Market Value	Maturity Date	Location
FHLMC POOL #781142	31349SHT3	\$ 317,888	01-01-34	FHLB, Dallas TX
FHLMC POOL #420053	31346ABW4	53,726	05-01-18	FHLB, Dallas TX
FNMA POOL #62689	31362JUN3	11,102	06-01-28	FHLB, Dallas TX
GNMA #8279	36202KFU4	15,852	09-20-23	FHLB, Dallas TX
		<u>\$ 398,568</u>		

**Custodial Credit Risk-Deposits**

Depository Account	Bank Balance
Insured	\$ 108,170
Collateralized:	
Collateral held by the pledging bank in Village's name	340,168
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 448,338</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008 none of the Village's bank balance of \$448,338 was exposed to custodial credit risk.

**NOTE D: RESTRICTED CASH**

The restricted cash is the water deposits and is held for refunds as needed.

**NOTE E: CAPITAL ASSETS**

Capital Assets Balances and Activity for the Year Ended June 30, 2008, is as follows:

	Balance 6/30/07	Increases	Decreases	Balance 6/30/08
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated				
Land	\$ 18,720	\$ 0	\$ 0	\$ 18,720
Total Capital Assets, not being Depreciated	<u>18,720</u>	<u>0</u>	<u>0</u>	<u>18,720</u>
Capital Assets, being Depreciated				
Buildings & Improvements	2,062,199	0	0	2,062,199
Equipment	558,508	24,624	0	583,132
Total Capital Assets, being Depreciated	<u>2,620,707</u>	<u>24,624</u>	<u>0</u>	<u>2,645,331</u>
Total Capital Assets	<u>\$ 2,639,427</u>	<u>\$ 24,624</u>	<u>\$ 0</u>	<u>\$ 2,664,051</u>

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
Notes to the Financial Statements  
June 30, 2008

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**Less Accumulated Depreciation**

Building & Improvements	\$ 857,195	\$ 85,339	\$ 0	\$ 942,534
Equipment	457,274	39,920	0	497,194
Total Accumulated Depreciation	<u>1,314,469</u>	<u>125,259</u>	<u>0</u>	<u>1,439,728</u>

Capital Assets, net	\$ <u>1,324,958</u>	\$ <u>(100,635)</u>	\$ <u>0</u>	\$ <u>1,224,323</u>
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Depreciation expense was charged to governmental activities as follows:

General	\$ 57,883
Public Safety	31,614
Public Works	20,133
Culture & Recreation	15,629
Total depreciation expenses	<u>\$ 125,259</u>

	Balance 6/30/07	Increases	Decreases	Balance 6/30/08
<b>Business-Type Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 9,992	\$ 0	\$ 0	\$ 9,992
Total Capital Assets not being Depreciated	9,992	0	0	9,992
Other Capital Assets				
Buildings	24,737	0	0	24,737
Water System	4,766,412	255,530	0	5,021,942
Equipment	303,802	0	0	303,802
Total Capital Assets at Historical Cost	<u>5,104,943</u>	<u>255,530</u>	<u>0</u>	<u>5,360,473</u>
<b>Less Accumulated Depreciation</b>				
Buildings	20,342	618	0	20,960
Water System	1,516,998	103,680	0	1,620,678
Equipment	133,177	11,437	0	144,614
Total Accumulated Depreciation	<u>1,670,517</u>	<u>115,735</u>	<u>0</u>	<u>1,786,252</u>
Capital Assets, net	\$ <u>3,434,426</u>	\$ <u>139,795</u>	\$ <u>0</u>	\$ <u>3,574,221</u>

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
Notes to the Financial Statements  
June 30, 2008

**NOTE F: LONG TERM DEBT**

A summary of activity in the Long-Term Debt as of June 30, 2008 is as follows:

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08	Amounts Due Within One Year
<b>Governmental Activities</b>					
Notes Payable	\$ 37,008	\$ 0	\$ 2,461	\$ 34,547	2,461
Other Compensated Absences	16,522	6,357	4,792	18,087	0
	<u>53,530</u>	<u>6,357</u>	<u>7,253</u>	<u>52,634</u>	<u>2,461</u>
<b>Business-type Activities:</b>					
RUS - Water Bonds	164,700	0	2,000	162,700	2,000
Other Compensated Absences	9,713	4,456	7,770	6,399	0
	<u>\$ 174,413</u>	<u>\$ 4,456</u>	<u>\$ 9,770</u>	<u>\$ 169,099</u>	<u>\$ 2,000</u>

The current portion of the compensated absences is estimated at zero since there are no anticipated retirements or terminations. The compensated absences ultimately will be liquidated by the General Fund as they have been in the past.

**Notes Payable**

The Village entered into a loan agreement with New Mexico Finance Authority for the construction of a village hall. The original amount of the loan was \$48,000 with annual installments due annually on October 1. Interest rate is 0% with an administrative fee of .025%. The General Fund makes payments.

The annual requirements to amortize the Loan as of June 30, 2008 are as follows:

	Principal	Interest	Total
2009	\$ 2,461	0	2,461
2010	2,461	0	2,461
2011	2,461	0	2,461
2012	2,461	0	2,461
2013	2,461	0	2,461
2014-2018	12,305	0	12,305
2019-2022	9,937	0	9,937
	<u>\$ 34,547</u>	<u>\$ 0</u>	<u>\$ 34,547</u>

The Business-type activities annual requirements are:

Water System Improvement Revenue Bonds, Series 2004. For the improvement of the village water system. Interest rate of 4.5% is payable in annual installments on September 16. The Water and Sewer Fund makes the payments.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
Notes to the Financial Statements  
June 30, 2008

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The annual requirements to amortize the Bond as of June 30, 2008, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	2,000	6,809	8,809
2010	2,000	6,725	8,725
2011	2,000	6,641	8,641
2012	2,000	6,558	8,558
2013	2,000	6,962	8,962
2014-2018	12,000	33,415	45,415
2019-2023	15,000	30,310	45,310
2024-2028	20,000	26,485	46,485
2029-2033	24,000	21,715	45,715
2034-2038	30,000	15,865	45,865
2039-2043	37,000	8,440	45,440
2044-2045	14,700	964	15,664
	<u>\$ 162,700</u>	<u>\$ 170,889</u>	<u>\$ 333,589</u>

**NOTE G: RETIREMENT PLAN**

**Plan Description.** Substantially all of the Village's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**Funding Policy.** Plan members and employers are required to contribute 7% of the gross salary. The contribution requirements of plan members and the Village are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$37,877, \$40,654, and \$38,071, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE H: POST-EMPLOYMENT BENEFITS**

The Village of Loving does not participate in the State of New Mexico Retiree Health Care plan.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
Notes to the Financial Statements  
June 30, 2008

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**NOTE I: RECEIVABLES**

Receivables as of June 30, 2008, were as follows:

	General	Non-Major	Utilities
Gross Receipts Taxes	\$ 23,500	\$ 0	\$ 0
Property Taxes	376	0	0
Franchise Taxes	1,723	0	0
Cigarette Taxes	262	131	0
Gasoline Taxes	2,160	0	0
Accounts Receivable	0	0	34,500
Environmental Gross Receipts	0	0	559
	<u>\$ 28,021</u>	<u>\$ 131</u>	<u>\$ 35,059</u>

**NOTE J: INTERFUND PAYABLES, AND TRANSFERS**

Following is a schedule of the transfer among funds:

From	To	
General Fund	Solid Waste	\$ <u>9,802</u>

A transfer was made from the General Fund to the Waste Disposal Fund to cover shortfalls in the Waste Disposal budget.

**NOTE K: RISK MANAGEMENT**

The Village is exposed to risks of loss through areas of general liability, workers compensation, and natural disaster. To minimize the risk of financial loss the Village participates in the New Mexico Self Insurers Fund (a risk pool of governmental agencies within the State of New Mexico). The New Mexico Self Insurers Fund is a common carrier of insurance. The assumption of risk lies with the New Mexico Self Insurers Fund upon the payment of premiums by the Village of the Fund. Premiums are reevaluated annually the Fund and the Village's risk is limited to premiums paid and respective deductibles.

**NOTE L: JOINT POWERS AGREEMENT**

The Village entered into a joint powers agreement with the New Mexico Energy, Minerals and Natural Resources Department, State Forestry Division (EMNRD). EMNRD desires to assist the Municipality to enhance the organization of its wildfire protection activities and the Municipality desires to assist EMNRD to enhance the organization of wildfire protection on non-municipal lands adjacent to the Municipality.

The Village agrees to develop and maintain a cooperative wildfire protection system, including the use of its fire department for the prevention, detection, pre-suppression and suppression of any wildfires, and for the procurement and maintenance of the forest, brush and grassland firefighting equipment. EMNRD will reimburse the Municipality for the use of equipment for fire suppression when a Fire Reimbursement Request Form is completed and sent to EMNRD within 30 days after the fire is extinguished. All payments under this agreement are on a reimbursement basis. The agreement was approved by the New Mexico Department of Finance and Administration on January 1, 1993. The agreement shall remain in effect perpetually unless terminated by either party. The Village reports the receipts and disbursements in the General Fund.

**NOTE M: SURETY BOND**

A surety Bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule NMAC 2.2.2 covers the officials and certain employees of the Village.

**SUPPLEMENTAL INFORMATION RELATED TO  
NON MAJOR FUNDS**

**NONMAJOR SPECIAL REVENUE FUNDS**

**Juvenile Recreation Fund**

To account for the operation and maintenance of the Village's youth recreation program. Financing is provided by the state shared cigarette tax. The fund was created by the authority of state statute. (NMSA 7-12-15)

**Cemetery Fund**

To account for the operations and maintenance of the cemetery. Financing is primarily from the sale of burial lots. The fund was authorized by NMSA 1978 3-40-1 through 9.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 NONMAJOR SPECIAL REVENUE FUNDS  
 Combining Balance Sheet  
 June 30, 2008

	Juvenile Recreation Fund	Cemetery Fund	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,249	\$ 13,027	\$ 14,276
Receivables			
Taxes	131	0	131
Total Assets	<u>\$ 1,380</u>	<u>\$ 13,027</u>	<u>\$ 14,407</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 1,061	\$ 1,061
Total Liabilities	<u>0</u>	<u>1,061</u>	<u>1,061</u>
<b>Fund Balance</b>			
<b>Unreserved Reported In:</b>			
Special Revenue	1,380	11,966	13,346
Total Fund Balance	<u>1,380</u>	<u>11,966</u>	<u>13,346</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,380</u>	<u>\$ 13,027</u>	<u>\$ 14,407</u>

The notes to the financial statements are an integral part of this statement.



STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2008

	Juvenile Recreation Fund	Cemetery Fund	Total
<b>Revenues</b>			
Taxes	\$ 1,322	\$ 0	\$ 1,322
Charge for Services	0	460	460
License & Permits	0	820	820
Miscellaneous	0	6,605	6,605
Total Revenues	<u>1,322</u>	<u>7,885</u>	<u>9,207</u>
<b>Expenditures</b>			
Current			
Public Works	0	15,326	15,326
Culture & Recreation	1,280	0	1,280
Total Expenditures	<u>1,280</u>	<u>15,326</u>	<u>16,606</u>
Excess (Deficiency) of Revenues Over Expenditures	42	(7,441)	(7,399)
Fund Balances at Beginning of Year	<u>1,338</u>	<u>19,407</u>	<u>20,745</u>
Fund Balance End of Year	<u>\$ 1,380</u>	<u>\$ 11,966</u>	<u>\$ 13,346</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
SPECIAL REVENUE FUND-JUVENILE RECREATION FUND  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Cigarette Taxes	\$ 1,344	\$ 1,344	\$ 1,343	\$ (1)
Total Revenues	<u>1,344</u>	<u>1,344</u>	<u>1,343</u>	<u>(1)</u>
<b>Expenditures</b>				
<b>Culture &amp; Recreation</b>				
Maintenance	272	272	217	55
Supplies	500	500	571	(71)
Utilities	600	600	583	17
Total Expenditures	<u>1,372</u>	<u>1,372</u>	<u>1,371</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	(28)	(28)	(28)	0
Cash Balance Beginning of Year	<u>1,277</u>	<u>1,277</u>	<u>1,277</u>	<u>0</u>
Cash Balance End of Year	\$ <u>1,249</u>	\$ <u>1,249</u>	\$ <u>1,249</u>	\$ <u>0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (28)	
Net change in Taxes Receivable			(21)	
Net change in Accounts Payable			91	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>42</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
SPECIAL REVENUE FUND-CEMETERY  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Services	\$ 305	\$ 305	\$ 460	\$ 155
Sale Of Lots	500	500	820	320
Gas & Oil Lease	7,368	7,368	6,604	(764)
Total Revenues	<u>8,173</u>	<u>8,173</u>	<u>7,884</u>	<u>(289)</u>
<b>Expenditures</b>				
<b>Public Works</b>				
Salaries	4,062	4,062	4,062	0
Benefits	384	384	383	1
Auto	172	172	171	1
Insurance	322	322	322	0
Utilities	874	874	954	(80)
Maintenance	2,467	2,467	2,466	1
Capital Outlay	6,000	6,000	5,922	78
Supplies	86	86	85	1
Total Expenditures	<u>14,367</u>	<u>14,367</u>	<u>14,365</u>	<u>2</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,194)	(6,194)	(6,481)	(287)
Cash Balance Beginning of Year	<u>19,508</u>	<u>19,508</u>	<u>19,508</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 13,314</u>	<u>\$ 13,314</u>	<u>\$ 13,027</u>	<u>\$ (287)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (6,481)	
Net change in Accounts Payable			<u>(960)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (7,441)</u>	

The notes to the financial statements are an integral part of this statement.

**SUPPLEMENTAL INFORMATION RELATED TO  
MAJOR FUNDS**

**ENTERPRISE FUNDS**

**Water and Waste Disposal**

To account for the provision of water and waste disposal service to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collections.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 PROPRIETARY FUND-WATER  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 184,538	\$ 184,538	\$ 186,205	\$ 1,667
Connection Fee	4,000	4,000	5,226	1,226
Interest Income	143	143	72	(71)
Governmental Gross Receipts Tax	9,227	9,227	9,271	44
Water Conservation Fee	3,237	3,237	3,225	(12)
SAP Sewer Line Imp	208,205	208,205	173,919	(34,286)
CDBG Sewer Line Imp	81,611	81,611	81,611	0
<b>Total Revenues</b>	<b>490,961</b>	<b>490,961</b>	<b>459,529</b>	<b>(31,432)</b>
<b>Expenditures</b>				
<b>Public Works</b>				
Salaries	96,423	96,423	89,521	6,902
Benefits	21,856	21,856	21,062	794
Maintenance	12,650	12,650	12,286	364
Auto	11,500	11,500	10,763	737
Supplies	1,905	1,905	1,533	372
Insurance	6,158	6,158	5,035	1,123
Utilities	18,000	18,000	17,424	576
Water Conservation Fee	4,256	4,256	4,255	1
Gross Receipt Tax	9,263	9,263	9,262	1
Office	900	900	0	900
Lab Fees	1,000	1,000	844	156
Data Processing	2,140	2,140	0	2,140
Postage	893	893	838	55
Travel & Training	1,000	1,000	955	45
Telephone	1,800	1,800	1,254	546
Advertising	1,700	1,700	1,026	674
Rental	4,000	4,000	4,080	(80)
Permits	1,000	1,000	920	80
Miscellaneous	3,480	3,480	3,356	124
Capital Outlay	289,816	289,816	255,530	34,286
Interest	7,501	7,501	7,412	89
Principal	2,000	2,000	2,000	0
<b>Total Expenditures</b>	<b>499,241</b>	<b>499,241</b>	<b>449,356</b>	<b>49,885</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(8,280)</b>	<b>(8,280)</b>	<b>10,173</b>	<b>18,453</b>
<b>Other Financing Sources (Uses)</b>				
Water Loan Reserve	(1,018)	(1,018)	(1,018)	0
<b>Total Other Financing Uses</b>	<b>\$(1,018)</b>	<b>\$(1,018)</b>	<b>\$(1,018)</b>	<b>0</b>

Net Change in Cash Balance	\$	(9,298)	\$	(9,298)	\$	9,155	\$	18,453
Cash Balance Beginning of Year		<u>18,414</u>		<u>18,414</u>		<u>18,414</u>		<u>0</u>
Cash Balance End of Year	\$	<u>9,116</u>	\$	<u>9,116</u>	\$	<u>27,569</u>	\$	<u>18,453</u>

Reconciliation of Budgetary Basis to GAAP Basis

Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$	10,173
Depreciation		(110,902)
Principal Paid		2,000
Capital Outlay		255,530
Net change in Accounts Receivable		(3,164)
Net change in Accounts Payable		(2,071)
Net change in Accrued Interest		218
Net change in Compensated Absences		<u>1,978</u>
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis	\$	<u>153,762</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 PROPRIETARY FUND-WASTE DISPOSAL  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 38,950	\$ 38,950	38,971	\$ 21
Environmental Tax	5,496	5,496	7,963	2,467
Gross Receipt Tax	1,947	1,947	1,936	(11)
Total Revenues	<u>46,393</u>	<u>46,393</u>	<u>48,870</u>	<u>2,477</u>
<b>Expenditures</b>				
<b>Public Works</b>				
Salaries	33,281	33,281	33,281	0
Benefits	4,862	4,862	4,859	3
Auto	8,293	8,293	8,292	1
Insurance	5,718	5,718	5,718	0
Supplies	560	560	559	1
Maintenance & Repairs	4,140	4,140	4,014	126
Gross Receipt Tax	1,947	1,947	1,949	(2)
Total Expenditures	<u>58,801</u>	<u>58,801</u>	<u>58,672</u>	<u>129</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(12,408)</u>	<u>(12,408)</u>	<u>(9,802)</u>	<u>2,606</u>
<b>Other Financing Sources</b>				
Transfer from General	12,408	12,408	9,802	2,606
Total Other Financing Sources	<u>12,408</u>	<u>12,408</u>	<u>9,802</u>	<u>2,606</u>
Net Change in Cash Balance	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net Change in Cash Balance-Budgetary Basis			\$ 0	
Depreciation			(4,833)	
Net change in Taxes Receivable			(87)	
Net change in Accounts Receivable			53	
Net change in Accounts Payable			1,871	
Net change in Compensated Absences			1,336	
Change in Net Assets-GAAP Basis			<u>\$ (1,660)</u>	

The notes to the financial statements are an integral part of this statement.



**AGENCY FUNDS**

**Motor Vehicle Department**

To account for the collection and disbursement of Motor Vehicle Department fees to the State Motor Vehicle Department.

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
 AGENCY FUNDS  
 Schedule of Changes in Assets and Liabilities-Agency Fund  
 For the Year Ended June 30, 2008

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	<u>Balance</u> <u>06-30-07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06-30-08</u>
<b>ASSETS</b>				
Cash in Bank	\$ 25,039	\$ 169,616	\$ 194,593	\$ 62
Total Assets	<u>\$ 25,039</u>	<u>\$ 169,616</u>	<u>\$ 194,593</u>	<u>\$ 62</u>
<b>LIABILITIES</b>				
Deposits Held for Others	\$ 25,039	\$ 169,616	\$ 194,593	\$ 62
Total Liabilities	<u>\$ 25,039</u>	<u>\$ 169,616</u>	<u>\$ 194,593</u>	<u>\$ 62</u>

The notes to the financial statements are an integral part of this statement.

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. Hector H. Balderas  
State Auditor of the State of New Mexico  
Board Members of the VILLAGE OF LOVING

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, and the combining and individual funds presented as supplemental information of the VILLAGE OF LOVING (Village), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing the audit procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of 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 the audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

*De'Aun Willoughby CPA PC*

December 1, 2008

STATE OF NEW MEXICO  
**VILLAGE OF LOVING**  
Schedule of Findings and Responses  
For the Year Ended June 30, 2008

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**Prior Year Audit Findings**

	<u>Status</u>
2006-1 Late Audit Report-Compliance	Resolved
07-02 Preparation of the Audit Report	Resolved

**Current Year Audit Findings**

There are no current year Findings.

**Financial Statement Preparation**

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

**Exit Conference**

An exit conference was held on December 1, 2008. In attendance were Serapio Parraz, Councilor, Manuel Garza, Clerk and De'Aun Willoughby, CPA.