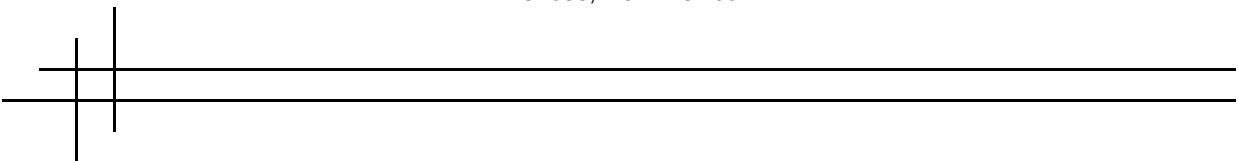


STATE OF NEW MEXICO
VILLAGE OF LOVING

ANNUAL FINANCIAL REPORT
June 30, 2009

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



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STATE OF NEW MEXICO
VILLAGE OF LOVING
Official Roster
June 30, 2009

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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De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

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, 2009, 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, 2009, 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, 2009, 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, 2009, and the respective changes in financial position thereof, and the respective budgetary comparisons for all the nonmajor governmental funds and the major enterprise 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 November 30, 2009, 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

November 30, 2009

FINANCIAL SECTION

STATE OF NEW MEXICO
VILLAGE OF LOVING
Government-Wide Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 547,337	\$ 28,760	\$ 576,096
Receivables			
Accounts, net of allowance for uncollectibles	0	36,279	36,279
Taxes	44,033	974	45,007
Total Current Assets	<u>591,370</u>	<u>66,013</u>	<u>657,383</u>
Noncurrent Assets			
Restricted Cash	0	35,678	35,678
Capital Assets	2,849,555	5,385,473	8,235,028
Less: Accumulated Depreciation	<u>(1,452,723)</u>	<u>(1,884,987)</u>	<u>(3,337,710)</u>
Total Noncurrent Assets	<u>1,396,832</u>	<u>3,536,163</u>	<u>4,932,995</u>
Total Assets	<u>1,988,202</u>	<u>3,602,176</u>	<u>5,590,378</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	13,535	4,754	18,289
Accrued Salaries	3,670	1,614	5,284
Accrued Interest	0	4,764	4,764
Current Portion of Long-Term Debt	2,461	2,000	4,461
Total Current Liabilities	<u>19,666</u>	<u>13,131</u>	<u>32,797</u>
Noncurrent Liabilities			
Compensated Absences	21,119	8,445	29,564
Customer Deposits	0	29,984	29,984
Bonds and Notes	29,625	158,700	188,325
Total Noncurrent Liabilities	<u>50,744</u>	<u>197,129</u>	<u>247,873</u>
Total Liabilities	<u>70,410</u>	<u>210,260</u>	<u>280,670</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,364,746	3,254,355	4,619,101
Unrestricted	553,046	137,562	690,607
Total Net Assets	<u>\$ 1,917,792</u>	<u>\$ 3,391,917</u>	<u>\$ 5,309,708</u>

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

STATE OF NEW MEXICO
VILLAGE OF LOVING
Government-Wide Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 273,884	\$ 4,001	\$ 301,168	\$ 0	\$ 31,285	\$ 0	\$ 31,285
Public Safety	473,606	89,102	88,389	0	(296,115)	0	(296,115)
Public Works	111,683	22,684	9,691	255,880	176,572	0	176,572
Culture & Recreation	18,523	0	7,513	0	(11,010)	0	(11,010)
Total Governmental Activities	<u>877,696</u>	<u>115,787</u>	<u>406,761</u>	<u>255,880</u>	<u>(99,268)</u>	<u>0</u>	<u>(99,268)</u>
Business-type Activities							
Water	340,254	230,921	0	0	0	(109,333)	(109,333)
Waste Disposal	81,611	42,268	0	0	0	(39,343)	(39,343)
Total Business-type Activities	<u>\$ 421,865</u>	<u>\$ 273,189</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>(148,676)</u>	<u>(148,676)</u>
General Revenues							
Taxes							
Property					9,875	0	9,875
Gross Receipts					411,300	9,735	421,035
Franchise					25,400	0	25,400
Gasoline					28,763	0	28,763
Other Taxes					11,248	0	11,248
Miscellaneous					46,357	84	46,441
Total General Revenues and Transfers					<u>532,943</u>	<u>9,819</u>	<u>542,762</u>
Other Items							
Loss on Disposition of Capital Assets					(15,338)	0	(15,338)
Transfer In (Out)					(66,680)	66,680	0
Change in Net Assets					<u>351,657</u>	<u>(72,177)</u>	<u>279,480</u>
Net Assets - beginning					<u>1,566,135</u>	<u>3,464,094</u>	<u>5,030,229</u>
Net Assets - ending					<u>\$ 1,917,792</u>	<u>\$ 3,391,917</u>	<u>\$ 5,309,708</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, 2009

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 527,195	\$ 0	\$ 20,142
Receivables (Net of Allowance for Uncollectibles if Applicable)	<u>44,033</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 571,228</u>	<u>\$ 0</u>	<u>\$ 20,142</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 11,247	\$ 0	\$ 2,288
Accrued Salaries	<u>3,670</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>14,917</u>	<u>0</u>	<u>2,288</u>
Fund Balances			
Unreserved Reported In:			
General Fund	556,310	0	0
Special Revenue Fund	<u>0</u>	<u>0</u>	<u>17,854</u>
Total Fund Balances	<u>556,310</u>	<u>0</u>	<u>17,854</u>
Total Liabilities and Fund Balances	<u>\$ 571,227</u>	<u>\$ 0</u>	<u>\$ 20,142</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, 2009

	Total Governmental Funds
	<u> </u>
ASSETS	
Cash and Cash Equivalents	\$ 547,337
Receivables (Net of Allowance for Uncollectibles if Applicable)	44,033
Total Assets	<u>\$ 591,370</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 13,535
Accrued Salaries	3,670
Total Liabilities	<u>17,205</u>
Fund Balances	
Unreserved Reported In:	
General Fund	556,310
Special Revenue Fund	17,854
Total Fund Balances	<u>574,164</u>
Total Liabilities and Fund Balances	<u>\$ 591,369</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, 2009

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds	\$	574,164
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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	\$	2,849,555	
Accumulated depreciation is		<u>(1,452,723)</u>	1,396,832

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	(32,085)	
Compensated Absences	<u>(21,119)</u>	<u>(53,204)</u>

Total net assets - governmental activities	\$	<u><u>1,917,792</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, 2009

	General Fund	Capital Projects	Non-Major Governmental Funds
Revenues			
Taxes			
Property	\$ 9,875	\$ 0	\$ 0
Franchise	25,400	0	0
Gross Receipts	411,300	0	0
Gas	28,763	0	0
Cigarette	6,658	0	3,284
Other	1,306	0	0
Charge for Service	23,740	0	1,320
Fines & Forfeits	89,102	0	0
License & Permits	1,625	0	0
State Grants	346,182	255,880	60,579
Interest	606	0	83
Miscellaneous	45,668	0	0
Total Revenues	990,224	255,880	65,266
Expenditures			
Current			
General	202,939	0	0
Public Safety	373,313	0	65,160
Public Works	82,862	0	6,956
Cultural & Recreation	2,547	0	934
Capital Outlay	116,921	255,880	0
Debt Services			
Principal	2,461	0	0
Total Expenditures	781,043	255,880	73,050
Excess (Deficiency) of Revenues Over Expenditures	209,182	0	(7,784)
Other Financing Sources and Uses			
Transfer Out	(21,680)	0	0
Total Other Financing Sources and Uses	(21,680)	0	0
Net Change in Fund Balance	187,502	0	0
Fund Balances at Beginning of Year	368,808	0	25,638
Fund Balance End of Year	\$ 556,310	\$ 0	\$ 17,854

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, 2009

	<u>Total Governmental Funds</u>
Revenues	
Taxes	
Property	\$ 9,875
Franchise	25,400
Gross Receipts	411,300
Gas	28,763
Cigarette	9,942
Other	1,306
Charge for Service	25,060
Fines & Forfeits	89,102
License & Permits	1,625
State Grants	662,641
Interest	689
Miscellaneous	45,668
Total Revenues	<u>1,311,370</u>
Expenditures	
Current	
General	202,939
Public Safety	438,473
Public Works	89,818
Cultural & Recreation	3,481
Capital Outlay	372,801
Debt Services	
Principal	2,461
Total Expenditures	<u>1,109,973</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>201,398</u>
Other Financing Sources and Uses	
Transfer Out	(21,680)
Total Other Financing Sources and Uses	<u>(21,680)</u>
Net Change in Fund Balance	179,718
Fund Balances at Beginning of Year	<u>394,446</u>
Fund Balance End of Year	<u>\$ 574,164</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, 2009

Net Change in Fund Balance \$ 179,718

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

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	\$	(139,953)	
Capital Outlays		372,801	
Loss on Disposition of Capital Assets		(15,338)	
Transfer to Utility Fund for Capital Outlay		<u>(45,000)</u>	172,510

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. (3,032)

Changes in Net Assets of Governmental Activities \$ 351,656

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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 8,609	\$ 8,609	\$ 9,816	\$ 1,207
Franchise Taxes	20,890	20,890	25,289	4,399
Gross Receipt Tax	197,875	197,875	205,316	7,441
Gas Tax	26,149	26,149	28,954	2,805
Cigarette Tax	2,601	2,601	6,806	4,205
MVD	0	0	1,188	1,188
State Shared Gross Receipt Tax	186,318	186,318	188,319	2,001
License & Permits	1,500	1,500	1,625	125
Charge for Services	18,962	18,962	25,341	6,379
Fines & Forfeits	61,132	61,132	89,102	27,970
Interest Income	820	820	606	(214)
Rents & Royalties	6,120	6,120	6,145	25
Miscellaneous	6,726	6,726	39,523	32,797
Grants	285,143	285,143	346,182	61,039
Total Revenues	<u>822,845</u>	<u>822,845</u>	<u>974,212</u>	<u>151,367</u>
Expenditures				
Legislative				
Salaries	5,460	5,460	5,785	(325)
Benefits	545	545	608	(63)
Professional Fees	28,870	28,870	26,764	2,106
Travel	1,900	1,900	48	1,852
Insurance	26,817	26,817	25,387	1,430
Miscellaneous	1,661	1,661	1,925	(264)
Total Legislative	<u>65,253</u>	<u>65,253</u>	<u>60,517</u>	<u>4,736</u>
Judicial				
Salaries	19,355	19,355	19,355	0
Benefits	3,131	3,131	3,152	(21)
Travel	1,350	1,350	2,093	(743)
Office	2,150	2,150	2,664	(514)
Supplies	2,577	2,577	2,576	1
Dues	200	200	270	(70)
Internet	400	400	346	54
Miscellaneous	3,072	3,072	2,571	501
Insurance	139	139	148	(9)
Telephone	2,025	2,025	2,283	(258)
Total Judicial	<u>\$ 34,399</u>	<u>\$ 34,399</u>	<u>\$ 35,458</u>	<u>\$ (1,059)</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Financial Department				
Salaries	\$ 73,799	\$ 73,799	\$ 73,203	\$ 596
Benefits	16,618	16,618	16,755	(137)
Supplies	3,500	3,500	1,993	1,507
Advertising	3,400	3,400	1,574	1,826
Postage	3,300	3,300	2,582	718
Postage Meter	458	458	1,035	(577)
Copier Maint. Agreement	1,000	1,000	558	442
Miscellaneous	50	50	517	(467)
Insurance	500	500	0	500
Telephone	4,776	4,776	4,712	64
Internet	342	3,442	346	3,096
Travel & Taining	1,400	1,400	601	799
Capital Outlay	1,000	1,000	8,986	(7,986)
Total Financial Department	<u>110,143</u>	<u>113,243</u>	<u>112,862</u>	<u>381</u>
Police				
Salaries	21,636	211,636	211,636	0
Benefits	65,118	65,118	60,071	5,047
Auto	42,000	42,000	33,314	8,686
Travel & Training	4,000	4,000	1,564	2,436
Insurance	30,725	30,725	30,725	0
Supplies	3,750	3,750	2,323	1,427
Telephone	2,200	2,200	2,394	(194)
Repairs & Maintenance	3,842	3,842	867	2,975
Data Processing	2,145	2,145	822	1,323
Miscellaneous	75	75	5,675	(5,600)
Office	2,500	2,500	1,992	508
Capital Outlay	30,875	30,875	31,411	(536)
Total Police	<u>208,866</u>	<u>398,866</u>	<u>382,794</u>	<u>16,072</u>
Fire Dept				
Salaries	3,636	3,636	3,639	(3)
Benefits	905	905	908	(3)
Supplies	4,680	4,680	765	3,915
Volunteer Fireman Pay	2,000	2,000	4,532	(2,532)
Total Fire Department	<u>11,221</u>	<u>11,221</u>	<u>9,844</u>	<u>1,377</u>
Law Enforcement Protection				
Capital Outlay	34,235	34,235	34,235	0
Total Law Enforcement	<u>\$ 34,235</u>	<u>\$ 34,235</u>	<u>\$ 34,235</u>	<u>\$ 0</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Emergency Medical Service				
Auto	\$ 2,600	\$ 2,600	\$ 3,089	\$ (489)
Medical Supplies	2,000	2,000	2,172	(172)
Travel & Training	1,500	1,500	762	738
Professional Fees	2,000	2,000	1,900	100
Total Emergency Medical	<u>8,100</u>	<u>8,100</u>	<u>7,923</u>	<u>177</u>
Parks				
Maintenance	2,625	2,625	1,025	1,600
Utilities	1,057	1,057	1,598	(541)
Total Parks	<u>3,682</u>	<u>3,682</u>	<u>2,623</u>	<u>1,059</u>
Public Works				
Salaries	25,970	25,970	25,969	1
Benefits	5,465	5,465	5,435	30
Maintenance	15,597	15,597	15,596	1
Miscellaneous	216	216	1,872	(1,656)
Supplies	1,000	1,000	1,503	(503)
Utilities	10,634	10,634	9,514	1,120
Capital Outlay	24,675	24,675	24,675	0
Total Public Works	<u>83,557</u>	<u>83,557</u>	<u>84,564</u>	<u>(1,007)</u>
Streets				
Auto	3,650	3,650	3,030	620
Maintenance	1,000	1,000	979	21
Supplies	2,650	2,650	3,679	(1,029)
Utilities	12,000	12,000	14,032	(2,032)
Capital Outlay	91,007	91,007	17,613	73,394
Total Streets	<u>110,307</u>	<u>110,307</u>	<u>39,333</u>	<u>70,974</u>
Debt Service				
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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Total Expenditures	\$ 669,763	\$ 862,863	\$ 772,614	\$ 92,710
Excess (Deficiency) of Revenues Over Expenditures	153,082	(40,018)	201,598	244,077
Other Sources and Uses				
Transfer to Solid Waste	(21,680)	(21,680)	(21,680)	0
Total Other Sources	(21,680)	(21,680)	(21,680)	0
Net Change in Cash Balance	131,402	(61,698)	179,918	244,077
Cash Balance Beginning of Year	347,277	347,277	347,277	0
Cash Balance End of Year	\$ 478,679	\$ 285,579	\$ 527,195	\$ 244,077
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 179,918	
Net change in Accounts Receivable			16,012	
Net change in Accounts Payable			(4,757)	
Net change in Accrued Salaries			(3,671)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 187,502	

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, 2009

ASSETS	Water	Waste Disposal	Total
Current Assets			
Cash and Cash Equivalents	\$ 28,760	\$ 0	\$ 28,760
Receivables (net of allowance for uncollectible accounts)			
Accounts	32,996	3,283	36,279
Taxes	0	974	974
Due From Waste Disposal	20,000	0	20,000
Total Current Assets	<u>81,756</u>	<u>4,257</u>	<u>86,013</u>
Noncurrent Assets			
Restricted Cash	35,678	0	35,678
Capital Assets	5,271,119	114,354	5,385,473
Less: Accumulated Depreciation	(1,851,300)	(33,687)	(1,884,987)
Total Noncurrent Assets	<u>3,455,496</u>	<u>80,667</u>	<u>3,536,163</u>
Total Assets	<u>3,537,252</u>	<u>84,924</u>	<u>3,622,176</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	4,679	75	4,754
Accrued Salaries	1,179	435	1,614
Accrued Interest	4,764	0	4,764
Due To Water	0	20,000	20,000
Current Portion of Long-Term Debt	2,000	0	2,000
Total Current Liabilities	<u>12,621</u>	<u>20,510</u>	<u>33,131</u>
Noncurrent Liabilities			
Compensated Absences	8,445	0	8,445
Customer Deposits	29,984	0	29,984
Bonds and Notes	158,700	0	158,700
Total Noncurrent Liabilities	<u>197,129</u>	<u>0</u>	<u>197,129</u>
Total Liabilities	<u>209,750</u>	<u>20,510</u>	<u>230,260</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,254,355	0	3,254,355
Unrestricted	73,148	64,414	137,562
Total Net Assets	<u>\$ 3,327,503</u>	<u>\$ 64,414</u>	<u>\$ 3,391,917</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, 2009

	Water	Waste Disposal	Total
Operating Revenues			
Sales & Service	\$ 230,921	\$ 42,268	\$ 273,189
Total Operating Revenues	<u>230,921</u>	<u>42,268</u>	<u>273,189</u>
Operating Expenses			
Salaries & Benefits	130,585	53,171	183,756
Maintenance	15,353	1,503	16,856
Auto & Truck	16,399	13,160	29,559
Insurance	5,446	3,049	8,495
Utilities	22,635	0	22,635
Water Conservation Fee	4,615	0	4,615
Governmental Gross Receipts Tax	10,488	1,982	12,470
Other Operating Expense	16,569	913	17,482
Depreciation	110,902	7,833	118,735
Total Operating Expenses	<u>332,992</u>	<u>81,611</u>	<u>414,603</u>
Operating Income (Loss)	<u>(102,071)</u>	<u>(39,343)</u>	<u>(141,414)</u>
Nonoperating Revenue (Expenses)			
Environmental Tax	0	9,735	9,735
Interest Income	84	0	84
Interest Expense	(7,262)	0	(7,262)
Total Nonoperating Revenue (Expense)	<u>(7,178)</u>	<u>9,735</u>	<u>2,557</u>
Other Items			
Transfer in	<u>0</u>	<u>66,680</u>	<u>66,680</u>
Change in Net Assets	(109,249)	37,072	(72,177)
Total Net Assets - Beginning	<u>3,436,752</u>	<u>27,342</u>	<u>3,464,094</u>
Total Net Assets - Ending	<u>\$ 3,327,503</u>	<u>\$ 64,414</u>	<u>\$ 3,391,917</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, 2009

	Water	Waste Disposal	Total
Cash Flows from Operating Activities			
Cash Received From Customers	\$ 227,679	\$ 41,618	\$ 269,297
Cash Paid to Suppliers and Employees	(216,183)	(73,033)	(289,216)
Net Cash Provided by Operating Activities	<u>11,496</u>	<u>(31,415)</u>	<u>(19,919)</u>
Cash Flows from Noncapital Financing Activities			
Taxes	0	9,735	9,735
Operating Transfers In	0	66,680	66,680
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>76,415</u>	<u>76,415</u>
Cash Flows from Capital & Related Financing Activities			
Acquisition and Construction of Capital Assets	0	(45,000)	(45,000)
Principal Paid	(2,000)	0	(2,000)
Interest Paid	(7,262)	0	(7,262)
Net Cash Provided by Capital & Related Financing Activities	<u>(9,262)</u>	<u>(45,000)</u>	<u>(54,262)</u>
Cash Flows from Investing Activities			
Interest Received	84	0	84
Net Cash Provided by Investing Activities	<u>84</u>	<u>0</u>	<u>84</u>
Net Increase (Decrease) in Cash	2,318	0	2,318
Cash Beginning Balance	62,120	0	62,120
Cash Ending Balance	<u>\$ 64,438</u>	<u>\$ 0</u>	<u>\$ 64,438</u>
Cash in the Bank	\$ 28,760	\$ 0	\$ 28,760
Restricted Cash in the Bank	35,678	0	35,678
Total Cash	<u>\$ 64,438</u>	<u>\$ 0</u>	<u>\$ 64,438</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (102,071)	\$ (39,343)	\$ (141,414)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	110,902	7,833	118,735
Change in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(1,780)	0	(1,780)
(Increase) Decrease in Taxes Receivable	0	(415)	(415)
Increase (Decrease) in Accounts Payable	167	75	242
Increase (Decrease) in Accrued Salaries	1,179	435	1,614
Increase (Decrease) in Accrued Interest	(60)	0	(60)
Increase (Decrease) in Compensated Absenses	2,046	0	2,046
Increase (Decrease) in Meter Deposits	1,113	0	1,113
Net Cash Provided by Operating Activities	<u>\$ 11,496</u>	<u>\$ (31,415)</u>	<u>\$ (19,919)</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, 2009

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ (0)
Total Assets	<u>\$ (0)</u>
Liabilities	
Deposits Held for Others	\$ (0)
Total Liabilities	<u>\$ (0)</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. 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.

Capital Projects Fund - To account for the state grants restricted to the purchase a fire truck and construction of a Little League Field and a new building for the fire department.

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:

Joint Water and Sewer Fund and the Waste Disposal Fund- 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.

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 including charges for use of the copier and fax, rental of the community building and fees and fines collected for public safety violations.

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.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2009

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.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2009

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.

Western Commerce Bank

<u>Name of Account</u>	Balance Per Bank 06-30-09	Reconciled Balance	<u>Type</u>
General Fund	\$ 526,307	\$ 522,941	Checking
Joint Water	33,637	28,760	Checking
Solid Waste Disposal	535	0	Checking
Loving Water Deposit	31,891	31,634	Checking
Juvenile Recreation	3,804	3,804	Checking
Fire Fund	10,008	10,008	Checking
Cemetery Fund	6,609	6,330	Checking
CD#311157	4,253	4,253	Savings
Water Loan Reserve	4,044	4,044	Savings
TOTAL Deposited	<u>621,088</u>	<u>\$ 611,774</u>	
Less: FDIC Coverage	<u>(621,088)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	337,090		
Over (Under) requirement	<u>\$ 337,090</u>		

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2009

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

The following securities are pledged at Western Commerce Bank:

Description	CUSIP #	Market Value	Maturity Date	Location
FHLMC POOL #781142	31349SHT3	\$ 265,775	01-01-34	FHLB, Dallas TX
FHLMC POOL #420053	31346ABW4	47,962	05-01-18	FHLB, Dallas TX
FNMA POOL #62689	31362JUN3	9,559	06-01-28	FHLB, Dallas TX
GNMA #8279	36202KFU4	13,794	09-20-23	FHLB, Dallas TX
		<u>\$ 337,090</u>		

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 621,088
Collateralized:	
Collateral held by the pledging bank in Village's name	0
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 621,088</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, 2009 none of the Village's bank balance of \$621,088 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, 2009, is as follows:

	Balance 6/30/08	Increases	Decreases	Balance 6/30/09
Governmental Activities				
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	60,880	65,484	2,057,595
Equipment	583,132	266,921	76,813	773,240
Total Capital Assets, being Depreciated	<u>2,645,331</u>	<u>327,801</u>	<u>142,297</u>	<u>2,830,835</u>
Total Capital Assets	<u>\$ 2,664,051</u>	<u>\$ 327,801</u>	<u>\$ 142,297</u>	<u>\$ 2,849,555</u>

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2009

Less Accumulated Depreciation

Building & Improvements	\$	942,534	\$	85,148	\$	50,146	\$	977,536
Equipment		497,195		54,805		76,813		475,187
Total Accumulated Depreciation		<u>1,439,729</u>		<u>139,953</u>		<u>126,959</u>		<u>1,452,723</u>
Capital Assets, net	\$	<u>1,224,322</u>	\$	<u>187,848</u>	\$	<u>15,338</u>	\$	<u>1,396,832</u>

Depreciation expense was charged to governmental activities as follows:

General	\$	71,281
Public Safety		32,150
Public Works		21,480
Culture & Recreation		15,042
Total depreciation expenses	\$	<u>139,953</u>

	Balance 6/30/08	Increases	Decreases	Balance 6/30/09
Business-Type Activities				
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	5,021,942	0	0	5,021,942
Equipment	303,802	45,000	(20,000)	328,802
Total Capital Assets at Historical Cost	<u>5,360,473</u>	<u>45,000</u>	<u>(20,000)</u>	<u>5,385,473</u>
Less Accumulated Depreciation				
Buildings	20,960	619	0	21,579
Water System	1,620,678	103,680	0	1,724,358
Equipment	144,613	14,437	(20,000)	139,050
Total Accumulated Depreciation	<u>1,786,251</u>	<u>118,736</u>	<u>(20,000)</u>	<u>1,884,987</u>
Capital Assets, net	\$ <u>3,574,222</u>	\$ <u>(73,736)</u>	\$ <u>0</u>	\$ <u>3,500,486</u>

NOTE F: LONG TERM DEBT

A summary of activity in the Long-Term Debt as of June 30, 2009 is as follows:

	Balance 6/30/08	Additions	Reductions	Balance 6/30/09	Amounts Due Within One Year
Governmental Activities					
Notes Payable	\$ 34,547	\$ 0	\$ 2,461	\$ 32,086	2,461
Other Compensated Absences	18,087	10,137	7,105	21,119	0
	<u>\$ 52,634</u>	<u>\$ 10,137</u>	<u>\$ 9,566</u>	<u>\$ 53,205</u>	<u>2,461</u>

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2009

Business-type Activities:

RUS - Water					
Bonds	\$ 162,700	\$ 0	\$ 2,000	\$ 160,700	\$ 2,000
Other Compensated Absences	<u>6,399</u>	<u>4,878</u>	<u>2,832</u>	<u>8,445</u>	<u>0</u>
	<u>\$ 169,099</u>	<u>\$ 4,878</u>	<u>\$ 4,832</u>	<u>\$ 169,145</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, 2009 are as follows:

	Principal	Interest	Total
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	2,461	0	2,461
2015-2019	12,305	0	12,305
2020-2022	7,476	0	7,476
	<u>\$ 32,086</u>	<u>\$ 0</u>	<u>\$ 32,086</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.

The annual requirements to amortize the Bond as of June 30, 2009, including interest payments are as follows:

	Principal	Interest	Total
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	2,000	6,872	8,872
2015-2019	13,000	32,875	45,875
2020-2024	16,000	29,635	45,635
2025-2029	20,000	25,585	45,585
2030-2034	25,000	20,635	45,635
2035-2039	32,000	14,515	46,515
2040-2044	38,000	6,775	44,775
2045	6,700	302	7,002
	<u>\$ 160,700</u>	<u>\$ 164,080</u>	<u>\$ 324,780</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.

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, 2009, 2008 and 2007 were \$48,104, \$37,877, and \$40,654, 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.

NOTE I: RECEIVABLES

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

	General	Non-Major	Utilities
Gross Receipts Taxes	\$ 39,680	\$ 0	\$ 0
Property Taxes	435	0	0
Franchise Taxes	1,834	0	0
Cigarette Taxes	114	0	0
Gasoline Taxes	1,970	0	0
Accounts Receivable	0	0	36,279
Environmental Gross Receipts	0	0	974
	<u>\$ 44,033</u>	<u>\$ 0</u>	<u>\$ 37,253</u>

NOTE J: INTERFUND PAYABLES, AND TRANSFERS

Following is a schedule of the transfer among funds:

From	To	
General Fund	Solid Waste	\$ 21,680
Capital Projects	Solid Waste	45,000
		<u>\$ 66,680</u>

A transfer was made from the General Fund to the Waste Disposal Fund to cover shortfalls in the Waste Disposal budget. The Capital Projects Fund received a state grant for \$45,000 to purchase a equipment for the Solid Waste Fund.

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.

STATE OF NEW MEXICO
VILLAGE OF LOVING
 CAPITAL PROJECTS FUND
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 1,869,785	\$ 1,869,785	\$ 255,880	\$ (1,613,905)
Total Revenues	<u>1,869,785</u>	<u>1,869,785</u>	<u>255,880</u>	<u>(1,613,905)</u>
Expenditures				
Capital Outlay	1,869,785	1,869,785	255,880	1,613,905
Total Expenditures	<u>1,869,785</u>	<u>1,869,785</u>	<u>255,880</u>	<u>1,613,905</u>
Excess (Deficiency) of Revenues Over Expenditures	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>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR SPECIAL REVENUE 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)

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, 2009

	Fire Fund	Juvenile Recreation Fund	Cemetery Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 10,008	\$ 3,804	\$ 6,330	\$ 20,142
Receivables				
Taxes	0	0	0	0
Total Assets	<u>\$ 10,008</u>	<u>\$ 3,804</u>	<u>\$ 6,330</u>	<u>\$ 20,142</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 2,214	\$ 74	\$ 0	\$ 2,288
Total Liabilities	<u>2,214</u>	<u>74</u>	<u>0</u>	<u>2,288</u>
Fund Balance				
Unreserved Reported In:				
Special Revenue	7,794	3,730	6,330	17,854
Total Fund Balance	<u>7,794</u>	<u>3,730</u>	<u>6,330</u>	<u>17,854</u>
 Total Liabilities and Fund Balance	 <u>\$ 10,008</u>	 <u>\$ 3,804</u>	 <u>\$ 6,330</u>	 <u>\$ 20,142</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, 2009

	Fire Fund	Juvenile Recreation Fund	Cemetery Fund	Total
Revenues				
Cigarette Taxes	\$ 0	\$ 3,284	\$ 0	\$ 3,284
Charge for Services	0	0	1,320	1,320
Interest Income	83	0	0	83
State Grant	60,579	0	0	60,579
Total Revenues	<u>60,662</u>	<u>3,284</u>	<u>1,320</u>	<u>65,266</u>
Expenditures				
Current				
Public Safety	65,160	0	0	65,160
Public Works	0	0	6,956	6,956
Culture & Recreation	0	934	0	934
Total Expenditures	<u>65,160</u>	<u>934</u>	<u>6,956</u>	<u>73,050</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,498)	2,350	(5,636)	(7,784)
Fund Balances at Beginning of Year	<u>12,292</u>	<u>1,380</u>	<u>11,966</u>	<u>25,638</u>
Fund Balance End of Year	<u>\$ 7,794</u>	<u>\$ 3,730</u>	<u>\$ 6,330</u>	<u>\$ 17,854</u>

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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 60,579	\$ 60,578	\$ 60,579	\$ 1
Interest Income	0	0	83	83
Total Revenues	<u>60,579</u>	<u>60,578</u>	<u>60,662</u>	<u>84</u>
Expenditures				
Public Safety				
Auto	9,440	9,440	12,247	(2,807)
Insurance	10,000	10,000	11,666	(1,666)
Maintenance	2,140	2,140	3,832	(1,692)
Miscellaneous	150	150	150	0
Office	500	500	535	(35)
Protective Clothing	8,300	8,300	11,758	(3,458)
Rentals	564	564	298	266
Supplies	24,678	24,678	18,035	6,643
Telephone	2,000	2,000	2,093	(93)
Training	3,500	3,500	0	3,500
Utilities	3,500	3,500	4,008	(508)
Total Expenditures	<u>64,772</u>	<u>64,772</u>	<u>64,622</u>	<u>150</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,193)	(4,194)	(3,960)	234
Cash Balance Beginning of Year	<u>13,968</u>	<u>13,968</u>	<u>13,968</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 9,775</u>	<u>\$ 9,774</u>	<u>\$ 10,008</u>	<u>\$ 234</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,960)	
Net change in Accounts Payable			<u>(538)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (4,498)</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 1,300	\$ 1,300	\$ 3,416	\$ 2,116
Total Revenues	<u>1,300</u>	<u>1,300</u>	<u>3,416</u>	<u>2,116</u>
Expenditures				
Culture & Recreation				
Maintenance	30	30	32	(2)
Supplies	500	500	153	347
Utilities	650	650	676	(26)
Total Expenditures	<u>1,180</u>	<u>1,180</u>	<u>861</u>	<u>319</u>
Excess (Deficiency) of Revenues Over Expenditures	120	120	2,555	2,435
Cash Balance Beginning of Year	<u>1,249</u>	<u>1,249</u>	<u>1,249</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,369</u>	<u>\$ 1,369</u>	<u>\$ 3,804</u>	<u>\$ 2,435</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 2,555	
Net change in Taxes Receivable			(131)	
Net change in Accounts Payable			(74)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 2,350</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Services	\$ 1,400	\$ 1,400	\$ 1,320	\$ (80)
Gas & Oil Lease	6,000	6,000	0	(6,000)
Total Revenues	<u>7,400</u>	<u>7,400</u>	<u>1,320</u>	<u>(6,080)</u>
Expenditures				
Public Works				
Salaries	4,050	4,050	3,683	367
Benefits	405	405	370	35
Auto	250	250	26	224
Insurance	160	160	328	(168)
Maintenance	1,830	1,830	509	1,321
Supplies	150	150	344	(194)
Utilities	2,000	2,000	2,757	(757)
Total Expenditures	<u>8,845</u>	<u>8,845</u>	<u>8,017</u>	<u>828</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,445)	(1,445)	(6,697)	(5,252)
Cash Balance Beginning of Year	<u>13,027</u>	<u>13,027</u>	<u>13,027</u>	<u>0</u>
Cash Balance End of Year	\$ <u>11,582</u>	\$ <u>11,582</u>	\$ <u>6,330</u>	\$ <u>(5,252)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (6,697)	
Net change in Accounts Payable			<u>1,061</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(5,636)</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Sales & Service	\$ 180,532	\$ 170,582	\$ 222,282	\$ 51,700
Fees	46,580	41,580	5,397	(36,183)
Interest Income	175	175	84	(91)
Miscellaneous	0	0	2,575	2,575
Total Revenues	<u>227,287</u>	<u>212,337</u>	<u>230,338</u>	<u>18,001</u>
Expenditures				
Public Works				
Salaries	107,801	107,801	97,879	9,922
Benefits	31,715	31,715	29,481	2,234
Advertising	1,100	1,100	1,151	(51)
Auto	14,865	14,865	16,399	(1,534)
Data Processing	0	0	2,428	(2,428)
Gross Receipt Tax	9,950	9,950	10,488	(538)
Insurance	3,500	3,500	5,446	(1,946)
Lab Fees	950	950	1,330	(380)
Maintenance	17,026	17,026	15,187	1,839
Miscellaneous	0	0	628	(628)
Office	2,500	2,500	808	1,692
Permits	1,000	1,000	2,000	(1,000)
Postage	1,000	1,000	1,806	(806)
Rental	0	0	46	(46)
Supplies	500	500	4,377	(3,877)
Telephone	185	185	1,763	(1,578)
Travel & Training	1,000	1,000	231	769
Utilities	22,635	22,635	22,635	0
Water Conservation Fee	5,750	5,750	4,615	1,135
Debt Service				
Interest	7,412	7,412	7,322	90
Principal	2,000	2,000	2,000	0
Total Expenditures	<u>230,889</u>	<u>230,889</u>	<u>228,020</u>	<u>2,869</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,602)	(18,552)	2,318	20,870
Cash Balance Beginning of Year	<u>62,120</u>	<u>62,120</u>	<u>62,120</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 58,518</u>	<u>\$ 43,568</u>	<u>\$ 64,438</u>	<u>\$ 20,870</u>

Reconciliation of Budgetary Basis to GAAP Basis	
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$ 2,318
Net change in Accounts Receivable	1,780
Depreciation	(110,902)
Net change in Accounts Payable	(167)
Net change in Accrued Salaries	(1,179)
Net change in Accrued Interest	60
Net change in Meter Deposits	(1,113)
Net change in Compensated Absences	(2,046)
Principal Paid	2,000
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis	\$ <u>(109,249)</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Sales & Service	\$ 41,568	\$ 41,568	41,618	\$ 50
Environmental Tax	9,320	9,320	9,320	0
Gross Receipt Tax	650	650	650	0
Total Revenues	<u>51,538</u>	<u>51,538</u>	<u>51,588</u>	<u>50</u>
Expenditures				
Public Works				
Salaries	32,588	35,008	35,008	0
Benefits	17,556	17,556	17,728	(172)
Auto	13,750	13,750	13,160	590
Insurance	3,050	3,050	3,049	1
Supplies	1,025	1,025	913	112
Maintenance & Repairs	3,330	3,330	1,428	1,902
Gross Receipt Tax	1,919	1,919	1,982	(63)
Total Expenditures	<u>73,218</u>	<u>75,638</u>	<u>73,268</u>	<u>2,370</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(21,680)</u>	<u>(24,100)</u>	<u>(21,680)</u>	<u>2,420</u>
Other Financing Sources				
Transfer from General	21,680	24,100	21,680	2,420
Total Other Financing Sources	<u>21,680</u>	<u>24,100</u>	<u>21,680</u>	<u>2,420</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>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance-Budgetary Basis			\$ 0	
Depreciation			(7,833)	
Contributed Capital			45,000	
Net change in Taxes Receivable			415	
Net change in Accounts Payable			(75)	
Net change in Accrued Salaries			(435)	
Change in Net Assets-GAAP Basis			<u>\$ 37,072</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, 2009

	<u>Balance</u> <u>06-30-08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06-30-09</u>
ASSETS				
Cash in Bank	\$ 62	\$ 265,600	\$ 265,663	\$ (0)
Total Assets	<u>\$ 62</u>	<u>\$ 265,600</u>	<u>\$ 265,663</u>	<u>\$ (0)</u>
LIABILITIES				
Deposits Held for Others	\$ 62	\$ 265,600	\$ 265,663	\$ (0)
Total Liabilities	<u>\$ 62</u>	<u>\$ 265,600</u>	<u>\$ 265,663</u>	<u>\$ (0)</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, 2009, and have issued our report thereon dated November 30, 2009. 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'Ann Willoughby CPA PC

November 30, 2009

STATE OF NEW MEXICO
VILLAGE OF LOVING
Schedule of Findings and Responses
For the Year Ended June 30, 2009

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 November 30, 2009. In attendance were Serapio Parraz, Councilor, Manuel Garza, Clerk and De'Aun Willoughby, CPA.