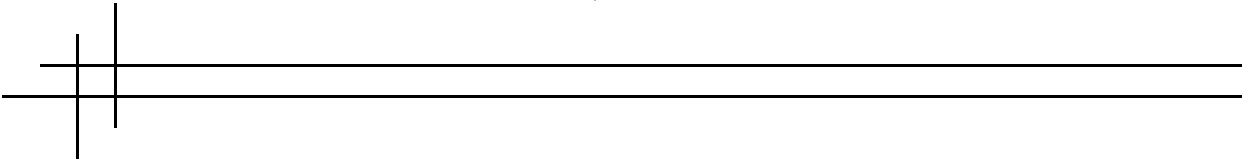


STATE OF NEW MEXICO
VILLAGE OF LOVING

ANNUAL FINANCIAL REPORT
June 30, 2010

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, 2010

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, the aggregate remaining fund information and the budgetary comparisons for the general fund of the VILLAGE OF LOVING (Village), as of and for the year ended June 30, 2010, 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, and the budgetary comparisons for the major capital project fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund and all 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 November 22, 2010, 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 *Government 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.

De'Aun Willoughby CPA PC

November 22, 2010

FINANCIAL SECTION

STATE OF NEW MEXICO
VILLAGE OF LOVING
Government-Wide Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 597,919	\$ 18,065	\$ 615,984
Receivables			
Accounts, net of allowance for uncollectibles	0	27,076	27,076
Taxes	70,093	1,517	71,610
Due from Grantor	45,481	0	45,481
Other	5,114	0	5,114
Total Current Assets	<u>718,607</u>	<u>46,658</u>	<u>765,265</u>
Noncurrent Assets			
Restricted Cash	0	36,563	36,563
Capital Assets	4,079,328	5,385,473	9,464,801
Less: Accumulated Depreciation	<u>(1,593,068)</u>	<u>(2,002,679)</u>	<u>(3,595,747)</u>
Total Noncurrent Assets	<u>2,486,260</u>	<u>3,419,357</u>	<u>5,905,617</u>
Total Assets	<u>3,204,867</u>	<u>3,466,015</u>	<u>6,670,882</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	14,742	4,701	19,443
Accrued Salaries & Benefits	7,931	1,938	9,869
Accrued Interest	0	4,704	4,704
Compensated Absences	23,885	8,907	32,792
Current Portion of Long-Term Debt	2,461	2,000	4,461
Total Current Liabilities	<u>49,019</u>	<u>22,250</u>	<u>71,269</u>
Noncurrent Liabilities			
Customer Deposits	0	31,331	31,331
Bonds and Notes	27,163	156,700	183,863
Total Noncurrent Liabilities	<u>27,163</u>	<u>188,031</u>	<u>215,194</u>
Total Liabilities	<u>76,182</u>	<u>210,281</u>	<u>286,463</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,456,636	3,146,557	5,603,193
Unrestricted	672,049	109,177	781,226
Total Net Assets	<u>\$ 3,128,685</u>	<u>\$ 3,255,734</u>	<u>\$ 6,384,419</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, 2010

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	\$ 291,943	\$ 1,682	\$ 243,605	\$ 0	\$ (46,656)	\$ 0	\$ (46,656)
Public Safety	561,810	105,780	103,653	0	(352,377)	0	(352,377)
Public Works	119,107	0	52,453	1,091,468	1,024,814	0	1,024,814
Culture & Recreation	22,317	29,016	0	0	6,699	0	6,699
Total Governmental Activities	<u>995,177</u>	<u>136,478</u>	<u>399,711</u>	<u>1,091,468</u>	<u>632,480</u>	<u>0</u>	<u>632,480</u>
Business-type Activities							
Water	344,066	205,629	0	0	0	(138,437)	(138,437)
Waste Disposal	93,625	40,566	0	0	0	(53,059)	(53,059)
Total Business-type Activities	<u>\$ 437,691</u>	<u>\$ 246,195</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>(191,496)</u>	<u>(191,496)</u>
General Revenues							
Taxes							
Property					11,547	0	11,547
Gross Receipts					500,625	13,812	514,437
Franchise					23,419	0	23,419
Gasoline					31,826	0	31,826
Other Taxes					4,322	0	4,322
Interest					783	0	783
Miscellaneous					47,393	0	47,393
Total General Revenues					<u>619,915</u>	<u>13,812</u>	<u>633,727</u>
Other Items							
Transfer In (Out)					(41,502)	41,502	0
Change in Net Assets					1,210,893	(136,182)	1,074,711
Net Assets - beginning					<u>1,917,792</u>	<u>3,391,916</u>	<u>5,309,708</u>
Net Assets - ending					<u>\$ 3,128,685</u>	<u>\$ 3,255,734</u>	<u>\$ 6,384,419</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, 2010

	General Fund	Capital Projects	Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 448,397	\$ 0	\$ 149,522
Receivables			
Taxes	66,805	0	3,288
Due from Grantor-Federal	0	45,481	0
Other	2,725	0	2,389
Interfund Balances	45,481	0	0
Total Assets	<u>\$ 563,408</u>	<u>\$ 45,481</u>	<u>\$ 155,199</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 10,457	\$ 0	\$ 4,285
Interfund Balances	0	45,481	0
Accrued Salaries & Benefits	7,802	0	129
Total Liabilities	<u>18,259</u>	<u>45,481</u>	<u>4,414</u>
Fund Balances			
Reserved			
Special Revenue Fund	0	0	150,785
Unreserved Reported In			
General Fund	545,149	0	0
Total Fund Balances	<u>545,149</u>	<u>0</u>	<u>150,785</u>
Total Liabilities and Fund Balances	<u>\$ 563,408</u>	<u>\$ 45,481</u>	<u>\$ 155,199</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, 2010

	Total Governmental Funds
	<u> </u>
ASSETS	
Cash and Cash Equivalents	\$ 597,919
Receivables	
Taxes	70,093
Due from Grantor-Federal	45,481
Other	5,114
Interfund Balances	45,481
Total Assets	<u>\$ 764,088</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 14,742
Interfund Balances	45,481
Accrued Salaries & Benefits	7,931
Total Liabilities	<u>68,154</u>
Fund Balances	
Reserved	
Special Revenue Fund	150,785
Unreserved Reported In	
General Fund	545,149
Total Fund Balances	<u>695,934</u>
Total Liabilities and Fund Balances	<u>\$ 764,088</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, 2010

Total Fund Balance - Governmental Funds \$ 695,934

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

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	\$ 4,079,328	
Accumulated depreciation is	<u>(1,593,068)</u>	2,486,260

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	(29,623)	
Compensated Absences	<u>(23,886)</u>	<u>(53,509)</u>

Total net assets - governmental activities \$ 3,128,685

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, 2010

	General Fund	Capital Projects	Non-Major Governmental Funds
Revenues			
Taxes			
Property	\$ 11,547	\$ 0	\$ 0
Franchise	23,419	0	0
Gross Receipts	500,625	0	0
Gasoline	0	0	31,826
Cigarette	2,839	0	1,483
Other		0	0
Charge for Service	27,971	0	1,045
Fees & Fines	79,695	0	26,085
License & Permits	1,682	0	0
State & Local Grants	243,605	920,129	156,106
Federal Grants	0	36,694	0
County Subsidy	0	134,645	0
Interest	715	0	68
Miscellaneous	27,914	0	19,479
Total Revenues	<u>920,012</u>	<u>1,091,468</u>	<u>236,092</u>
Expenditures			
Current			
General	234,639	0	0
Public Safety	441,790	0	69,805
Public Works	62,604	0	35,954
Cultural & Recreation	5,905	0	1,370
Capital Outlay	7,650	1,116,966	105,157
Debt Services			
Principal	2,461	0	0
Total Expenditures	<u>755,049</u>	<u>1,116,966</u>	<u>212,286</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>164,963</u>	<u>(25,498)</u>	<u>23,806</u>
Other Financing Sources and Uses			
Transfer Out	(66,999)	25,497	0
Total Other Financing Sources and Uses	<u>(66,999)</u>	<u>25,497</u>	<u>0</u>
Net Change in Fund Balance	<u>97,964</u>	<u>0</u>	<u>23,806</u>
Fund Balances at Beginning of Year	556,310	0	17,854
Restatement	(109,125)	0	109,125
Restated Beginning Fund Balance	<u>447,185</u>	<u>0</u>	<u>126,979</u>
Fund Balance End of Year	<u>\$ 545,149</u>	<u>\$ 0</u>	<u>\$ 150,785</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, 2010

	Total Governmental Funds
Revenues	
Taxes	
Property	\$ 11,547
Franchise	23,419
Gross Receipts	500,625
Gasoline	31,826
Cigarette	4,322
Other	0
Charge for Service	29,016
Fees & Fines	105,780
License & Permits	1,682
State & Local Grants	1,319,840
Federal Grants	36,694
County Subsidy	134,645
Interest	783
Miscellaneous	47,393
Total Revenues	<u>2,247,572</u>
Expenditures	
Current	
General	234,639
Public Safety	511,595
Public Works	98,558
Cultural & Recreation	7,275
Capital Outlay	1,229,773
Debt Services	
Principal	2,461
Total Expenditures	<u>2,084,301</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>163,271</u>
Other Financing Sources and Uses	
Transfer Out	(41,502)
Total Other Financing Sources and Uses	<u>(41,502)</u>
Net Change in Fund Balance	<u>121,770</u>
Fund Balances at Beginning of Year	574,164
Restatement	0
Restated Beginning Fund Balance	<u>574,164</u>
Fund Balance End of Year	<u>\$ 695,934</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, 2010

Net Change in Fund Balance	\$	121,770
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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.

Depreciation expense	\$	(140,345)	
Capital Outlays		<u>1,229,773</u>	1,089,428

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
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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.

Compensated Absences, June 30, 2009		21,120	
Compensated Absences, June 30, 2010		<u>(23,886)</u>	<u>(2,766)</u>

Changes in Net Assets of Governmental Activities	\$	<u>1,210,893</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

GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 9,599	\$ 9,599	\$ 10,740	\$ 1,141
Franchise Taxes	25,000	25,000	22,477	(2,523)
Gross Receipt Tax	459,851	459,851	477,775	17,924
Cigarette Tax	2,908	2,908	2,697	(211)
License & Permits	1,475	1,475	1,682	207
Charge for Services	23,854	23,854	27,971	4,117
Fines & Forfeits	72,951	72,951	72,951	0
Interest Income	340	340	715	375
Miscellaneous	27,735	27,735	27,913	178
Grants	244,228	244,228	243,605	(623)
Total Revenues	<u>867,941</u>	<u>867,941</u>	<u>888,526</u>	<u>20,585</u>
Expenditures				
Executive				
Salaries	6,185	6,185	6,185	0
Benefits	620	620	608	12
Miscellaneous	41,817	41,817	38,133	3,684
Total Executive	<u>48,622</u>	<u>48,622</u>	<u>44,926</u>	<u>3,696</u>
Judicial				
Salaries	27,796	27,796	27,765	31
Benefits	4,117	4,117	4,015	102
Miscellaneous	16,945	16,945	15,595	1,350
Total Judicial	<u>48,858</u>	<u>48,858</u>	<u>47,375</u>	<u>1,483</u>
Election				
Miscellaneous	2,312	2,312	2,107	205
Total Election	<u>2,312</u>	<u>2,312</u>	<u>2,107</u>	<u>205</u>
Financial Department				
Salaries	96,235	96,235	96,235	0
Benefits	22,158	22,158	22,154	4
Miscellaneous	20,815	20,815	20,480	335
Total Financial Department	<u>139,208</u>	<u>139,208</u>	<u>138,869</u>	<u>339</u>
Police				
Salaries	256,245	256,245	256,163	82
Benefits	63,208	63,208	64,042	(834)
Miscellaneous	113,113	120,613	104,109	16,504
Capital Outlay	0	0	7,650	(7,650)
Total Police	<u>\$ 432,566</u>	<u>\$ 440,066</u>	<u>\$ 431,964</u>	<u>\$ 8,102</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Fire Department				
Salaries	\$ 4,800	\$ 4,800	\$ 4,575	\$ 225
Benefits	451	451	421	30
Miscellaneous	9,325	9,325	9,042	283
Total Fire Department	<u>14,576</u>	<u>14,576</u>	<u>14,038</u>	<u>538</u>
Parks				
Miscellaneous	4,694	4,694	4,620	74
Total Parks	<u>4,694</u>	<u>4,694</u>	<u>4,620</u>	<u>74</u>
Public Works				
Salaries	26,487	26,487	26,367	120
Benefits	3,962	3,962	3,854	108
Miscellaneous	30,627	30,627	29,951	676
Total Public Works	<u>61,076</u>	<u>61,076</u>	<u>60,172</u>	<u>904</u>
Debt Service				
Principal	2,461	2,461	2,461	0
Total Debt Service	<u>2,461</u>	<u>2,461</u>	<u>2,461</u>	<u>0</u>
Total Expenditures	<u>754,373</u>	<u>761,873</u>	<u>746,532</u>	<u>15,341</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>113,568</u>	<u>106,068</u>	<u>141,994</u>	<u>35,926</u>
Other Financing Sources and Uses				
Transfer to Solid Waste	(30,749)	(30,749)	(28,607)	(2,142)
Transfer to Water	(12,895)	(12,895)	(12,895)	0
Transfer to Capital Projects	(34,329)	(34,329)	(25,497)	(8,832)
Total Other Financing Sources and Uses	<u>(77,973)</u>	<u>(77,973)</u>	<u>(66,999)</u>	<u>(10,974)</u>
Net Change in Cash Balance	35,595	28,095	74,995	46,900
Cash Balance Beginning of Year	<u>418,883</u>	<u>418,883</u>	<u>418,883</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 454,478</u>	<u>\$ 446,978</u>	<u>\$ 493,878</u>	<u>\$ 46,900</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 74,995	
Net change in Accounts Receivable			27,467	
Net change in Accounts Payable			(367)	
Net change in Accrued Salaries			(4,131)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 97,964</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, 2010

ASSETS	Water	Waste Disposal	Total
Current Assets			
Cash and Cash Equivalents	\$ 18,065	\$ 0	\$ 18,065
Receivables (net of allowance for uncollectible accounts)			
Accounts	23,943	3,133	27,076
Taxes	0	1,517	1,517
Due From Waste Disposal	20,000	0	20,000
Total Current Assets	<u>62,008</u>	<u>4,650</u>	<u>66,658</u>
Noncurrent Assets			
Restricted Cash	36,563	0	36,563
Capital Assets	5,271,119	114,354	5,385,473
Less: Accumulated Depreciation	(1,961,158)	(41,521)	(2,002,679)
Total Noncurrent Assets	<u>3,346,524</u>	<u>72,833</u>	<u>3,419,357</u>
Total Assets	<u>3,408,532</u>	<u>77,483</u>	<u>3,486,015</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	3,287	1,414	4,701
Accrued Salaries & Benefits	1,383	555	1,938
Accrued Interest	4,704	0	4,704
Compensated Absences	7,167	1,740	8,907
Due To Water	0	20,000	20,000
Current Portion of Long-Term Debt	2,000	0	2,000
Total Current Liabilities	<u>18,541</u>	<u>23,709</u>	<u>42,250</u>
Noncurrent Liabilities			
Customer Deposits	31,331	0	31,331
Bonds and Notes	156,700	0	156,700
Total Noncurrent Liabilities	<u>188,031</u>	<u>0</u>	<u>188,031</u>
Total Liabilities	<u>206,572</u>	<u>23,709</u>	<u>230,281</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,146,557	0	3,146,557
Unrestricted	55,403	53,774	109,177
Total Net Assets	<u>\$ 3,201,960</u>	<u>\$ 53,774</u>	<u>\$ 3,255,734</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, 2010

	Water	Waste Disposal	Total
Operating Revenues			
Sales & Service	\$ 193,887	\$ 40,536	\$ 234,423
Fees	11,642	0	11,642
Miscellaneous	50	30	80
Total Operating Revenues	<u>205,579</u>	<u>40,566</u>	<u>234,503</u>
Operating Expenses			
Salaries	98,752	38,551	137,303
Benefits	32,974	19,623	52,597
Other	95,817	27,617	123,434
Depreciation	109,858	7,834	117,692
Total Operating Expenses	<u>337,401</u>	<u>93,625</u>	<u>431,026</u>
Operating Income (Loss)	<u>(131,822)</u>	<u>(53,059)</u>	<u>(184,881)</u>
Nonoperating Revenue (Expenses)			
Environmental Tax	0	13,812	13,812
Interest Income	50	0	50
Interest Expense	(6,665)	0	(6,665)
Total Nonoperating Revenue (Expense)	<u>(6,615)</u>	<u>13,812</u>	<u>7,197</u>
Other Items			
Transfer in	<u>12,895</u>	<u>28,607</u>	<u>41,502</u>
Change in Net Assets	(125,542)	(10,640)	(136,182)
Total Net Assets - Beginning	<u>3,327,502</u>	<u>64,414</u>	<u>3,391,916</u>
Total Net Assets - Ending	<u>\$ 3,201,960</u>	<u>\$ 53,774</u>	<u>\$ 3,255,734</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, 2010

	Water	Waste Disposal	Total
Cash Flows from Operating Activities			
Cash Received From Customers	\$ 214,632	\$ 40,716	\$ 255,348
Cash Paid to Suppliers and Employees	(228,722)	(83,135)	(311,857)
Net Cash Provided by Operating Activities	<u>(14,090)</u>	<u>(42,419)</u>	<u>(56,509)</u>
Cash Flows from Noncapital Financing Activities			
Environmental Gross Receipts Taxes	0	13,812	13,812
Operating Transfers In	12,895	28,607	41,502
Net Cash Provided by Noncapital Financing Activities	<u>12,895</u>	<u>42,419</u>	<u>55,314</u>
Cash Flows from Capital & Related Financing Activities			
Acquisition and Construction of Capital Assets	0	0	0
Principal Paid	(2,000)	0	(2,000)
Interest Paid	(6,665)	0	(6,665)
Net Cash Provided by Capital & Related Financing Activities	<u>(8,665)</u>	<u>0</u>	<u>(8,665)</u>
Cash Flows from Investing Activities			
Interest Received	50	0	50
Net Cash Provided by Investing Activities	<u>50</u>	<u>0</u>	<u>50</u>
Net Increase (Decrease) in Cash	(9,810)	0	(9,810)
Cash Beginning Balance	64,438	0	64,438
Cash Ending Balance	<u>\$ 54,628</u>	<u>\$ 0</u>	<u>\$ 54,628</u>
Cash in the Bank	\$ 18,065	\$ 0	\$ 18,065
Restricted Cash in the Bank	36,563	0	36,563
Total Cash	<u>\$ 54,628</u>	<u>\$ 0</u>	<u>\$ 54,628</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (131,822)	\$ (53,059)	\$ (184,881)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	109,858	7,833	117,691
Change in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	9,053	150	9,203
(Increase) Decrease in Taxes Receivable	0	(542)	(542)
Increase (Decrease) in Accounts Payable	(1,393)	1,339	(54)
Increase (Decrease) in Accrued Salaries	205	120	325
Increase (Decrease) in Accrued Interest	(60)	0	(60)
Increase (Decrease) in Compensated Absenses	(1,277)	1,740	463
Increase (Decrease) in Meter Deposits	1,346	0	1,346
Net Cash Provided by Operating Activities	<u>\$ (14,090)</u>	<u>\$ (42,419)</u>	<u>\$ (56,509)</u>

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

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 Village'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 including Small Cities Assistance, Fire Protection, EMS and LEPF 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 improvements of the sewer system, construction of a fire station, construction of a Little League Field and improvements to the community center building.

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.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2010

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, 2010

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, 2010

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: DEPOSITS 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 06-30-10	Reconciled Balance	Type
General Fund	\$ 561,282	\$ 554,574	Checking
Joint Water	25,278	18,065	Checking
Solid Waste Disposal	436	0	Checking
Loving Water Deposit	31,572	31,504	Checking
Juvenile Recreation	3,900	3,900	Checking
Fire Fund	18,322	18,101	Checking
Cemetery Fund	17,248	17,020	Checking
CD#311157	4,324	4,324	Savings
Water Loan Reserve	5,059	5,059	Savings
TOTAL Deposited	<u>667,421</u>	<u>\$ 652,547</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	417,421		
50% collateral requirement	208,711		
Pledged securities	<u>289,082</u>		
Over (Under) requirement	<u>\$ 80,372</u>		

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2010

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	\$ 224,892	01-01-34	FHLB, Dallas TX
FHLMC POOL #420053	31346ABW4	43,047	05-01-18	FHLB, Dallas TX
FNMA POOL #62689	31362JUN3	8,375	06-01-28	FHLB, Dallas TX
GNMA #8279	36202KFU4	12,768	09-20-23	FHLB, Dallas TX
		<u>\$ 289,082</u>		

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in Village's name	289,082
Uninsured and uncollateralized	128,339
Total Deposits	<u>\$ 667,421</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, 2010 \$128,339 of the Village's bank balance of \$667,421 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, 2010, is as follows:

	Balance 6/30/09	Increases	Decreases	Balance 6/30/10
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 18,720	\$ 0	\$ 0	\$ 18,720
Construction in Progress	0	1,116,966	487,103	629,863
Total Capital Assets, not being Depreciated	<u>18,720</u>	<u>1,116,966</u>	<u>487,103</u>	<u>648,583</u>
Capital Assets, being Depreciated				
Infrastructure	0	72,330	0	72,330
Buildings & Improvements	2,057,595	487,103	0	2,544,698
Equipment	773,240	40,477	0	813,717
Total Capital Assets, being Depreciated	<u>2,830,835</u>	<u>599,910</u>	<u>0</u>	<u>3,430,745</u>
Total Capital Assets	<u>\$ 2,849,555</u>	<u>\$ 1,716,876</u>	<u>\$ 487,103</u>	<u>\$ 4,079,328</u>

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2010

Less Accumulated Depreciation

Building & Improvements	\$	977,536	\$	96,000	\$	0	\$	1,073,536
Equipment		475,187		44,345		0		519,532
Total Accumulated Depreciation		<u>1,452,723</u>		<u>140,345</u>		<u>0</u>		<u>1,593,068</u>
Capital Assets, net	\$	<u>1,396,832</u>	\$	<u>1,576,531</u>	\$	<u>487,103</u>	\$	<u>2,486,260</u>

Depreciation expense was charged to governmental activities as follows:

General	\$	55,479
Public Safety		48,344
Public Works		21,480
Culture & Recreation		15,042
Total depreciation expenses	\$	<u>140,345</u>

	Balance 6/30/09	Increases	Decreases	Balance 6/30/10
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	328,802	0	0	328,802
Total Capital Assets at Historical Cost	<u>5,385,473</u>	<u>0</u>	<u>0</u>	<u>5,385,473</u>
Less Accumulated Depreciation				
Buildings	21,579	618	0	22,197
Water System	1,724,358	103,680	0	1,828,038
Equipment	139,050	13,394	0	152,444
Total Accumulated Depreciation	<u>1,884,987</u>	<u>117,692</u>	<u>0</u>	<u>2,002,679</u>
Capital Assets, net	\$ <u>3,500,486</u>	\$ <u>(117,692)</u>	\$ <u>0</u>	\$ <u>3,382,794</u>

NOTE F: LONG TERM DEBT

A summary of activity in the Long-Term Debt as of June 30, 2010 is as follows:

	Balance 6/30/09	Additions	Reductions	Balance 6/30/10	Amounts Due Within One Year
Governmental Activities					
Notes Payable	\$ 32,086	\$ 0	\$ 2,461	\$ 29,625	\$ 2,461
Other Compensated Absences	21,119	11,362	8,596	23,885	6,845
	\$ <u>53,205</u>	\$ <u>11,362</u>	\$ <u>11,057</u>	\$ <u>53,510</u>	\$ <u>9,306</u>

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2010

Business-type Activities:

RUS - Water					
Bonds	\$ 160,700	\$ 0	\$ 2,000	\$ 158,700	\$ 2,000
Other Compensated Absences	8,445	7,010	6,548	8,907	8,907
	<u>\$ 169,145</u>	<u>\$ 7,010</u>	<u>\$ 8,548</u>	<u>\$ 167,607</u>	<u>\$ 2,000</u>

The compensated absences will be liquidated by the General Fund.

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, 2010 are as follows:

	Principal	Interest	Total
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	2,461	0	2,461
2016-2020	12,305	0	12,305
2021-2022	5,015	0	5,015
	<u>\$ 29,625</u>	<u>\$ 0</u>	<u>\$ 29,625</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, 2010, including interest payments are as follows:

	Principal	Interest	Total
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	2,000	6,872	8,872
2016-2020	14,000	32,290	46,290
2021-2025	17,000	28,915	45,915
2026-2030	21,000	24,685	45,685
2031-2035	26,000	19,510	45,510
2036-2040	33,000	13,075	46,075
2041-2045	37,700	5,065	42,765
	<u>\$ 158,700</u>	<u>\$ 157,445</u>	<u>\$ 316,145</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 are required to contribute 7% of the gross salary. The Village is required to contribute 7% for all employee's with the exception of police officers which require the Village to contribute 10% of the gross covered 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, 2010, 2009 and 2008 were \$31,820 \$24,052, and \$18,938, 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, 2010, were as follows:

	General	Capital Projects	Non-Major	Utilities
Gross Receipts Taxes	\$ 62,531	\$ 0	\$ 0	\$ 0
Property Taxes	1,242	0	0	0
Franchise Taxes	2,777	0	0	0
Cigarette Taxes	255	0	0	0
Gasoline Taxes	0	0	3,288	0
Court Fines	2,725	0	2,389	0
Due from Grantor	0	45,481	0	0
Accounts Receivable	0	0	0	27,076
Environmental Gross Receipts	0	0	0	1,517
	<u>\$ 69,530</u>	<u>\$ 45,481</u>	<u>\$ 5,677</u>	<u>\$ 28,593</u>

NOTE J: INTERFUND PAYABLES, AND TRANSFERS

Following is a schedule of the transfer among funds:

From	To	
General Fund	Water	\$ 12,895
General Fund	Solid Waste	28,607
		<u>\$ 41,502</u>

A transfer was made from the General Fund to the Water Fund and Waste Disposal Fund to cover shortfalls.

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.

NOTE N: RESTATEMENT

The fund balances were restated to move the following funds from the General Fund to their own funds.

EMS Fund	\$	5,607
Corrections Fund		72,434
Streets Fund		31,084
	\$	<u>109,125</u>

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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 1,620,499	\$ 1,620,499	\$ 1,009,293	\$ (611,206)
Federal Grant	500,000	500,000	36,694	(463,306)
Total Revenues	<u>2,120,499</u>	<u>2,120,499</u>	<u>1,045,987</u>	<u>(1,074,512)</u>
Expenditures				
Capital Outlay	<u>2,129,308</u>	<u>2,129,308</u>	<u>1,116,965</u>	<u>1,012,343</u>
Total Expenditures	<u>2,129,308</u>	<u>2,129,308</u>	<u>1,116,965</u>	<u>1,012,343</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,809)	(8,809)	(70,978)	(62,169)
Other Sources and Uses				
Transfer to Capital Projects	34,306	34,306	25,497	8,809
Total Other Sources	<u>34,306</u>	<u>34,306</u>	<u>25,497</u>	<u>8,809</u>
Net Change in Cash Balance	25,497	25,497	(45,481)	(70,978)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 25,497</u>	<u>\$ 25,497</u>	<u>\$ (45,481)</u>	<u>\$ (70,978)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (45,481)	
Net change in Accounts Receivable			45,481	
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)

Emergency Medical Services

To account for the operation and maintenance of the Village EMS Department. Financing is primarily from an annual EMS allotment and fees collected for emergency transportation. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Law Enforcement

To account for funds received from the State of New Mexico for law enforcement purposes. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

Correction

To account for the collection of fines which are used to supplement the cost of prisoner housing. The fund was created by the authority of state statute. (Section 29-1301 NASA 1978)

Streets

To account for the receipts and expenditures of special gasoline tax which is restricted for use in repairing and maintaining roads and streets within the municipality. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

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, 2010

	<u>Fire</u>	<u>Emergency Medical Service</u>	<u>Law Enforcement</u>	<u>Corrections</u>
ASSETS				
Cash and Cash Equivalents	\$ 18,100	\$ 0	\$ 0	\$ 96,121
Receivables				
Taxes	0	0	0	0
Other	0	0	0	2,389
Total Assets	<u>\$ 18,100</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,510</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 3,601	\$ 0	\$ 0	\$ 0
Accrued Salaries & Benefits	0	0	0	0
Total Liabilities	<u>3,601</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance				
Reserved				
Special Revenue	14,499	0	0	98,510
Total Fund Balance	<u>14,499</u>	<u>0</u>	<u>0</u>	<u>98,510</u>
 Total Liabilities and Fund Balance	 <u>\$ 18,100</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 98,510</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 Balance Sheet
June 30, 2010

	<u>Streets</u>	<u>Recreation</u>	<u>Cemetery</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 14,381	\$ 3,900	\$ 17,020	\$ 149,522
Receivables				
Taxes	3,160	128	0	3,288
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,389</u>
Total Assets	<u>\$ 17,541</u>	<u>\$ 4,028</u>	<u>\$ 17,020</u>	<u>\$ 155,199</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 499	\$ 185	\$ 0	\$ 4,285
Accrued Salaries & Benefits	<u>0</u>	<u>0</u>	<u>129</u>	<u>129</u>
Total Liabilities	<u>499</u>	<u>185</u>	<u>129</u>	<u>4,414</u>
Fund Balance				
Reserved				
Special Revenue	<u>17,042</u>	<u>3,843</u>	<u>16,891</u>	<u>150,785</u>
Total Fund Balance	<u>17,042</u>	<u>3,843</u>	<u>16,891</u>	<u>150,785</u>
 Total Liabilities and Fund Balance	 <u>\$ 17,541</u>	 <u>\$ 4,028</u>	 <u>\$ 17,020</u>	 <u>\$ 155,199</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, 2010

	Fire	Emergency Medical Service	Law Enforcement	Corrections
Revenues				
Gasoline Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Cigarette Taxes	0	0	0	0
Charge for Service	0	0	0	0
Fees & Fines	0	0	0	26,085
State Grant	73,375	7,878	22,400	0
Interest Income	68	0	0	0
Miscellaneous	0	0	0	0
Total Revenues	<u>73,443</u>	<u>7,878</u>	<u>22,400</u>	<u>26,085</u>
Expenditures				
Current				
Public Safety	56,311	13,485	0	9
Public Works	0	0	0	0
Culture & Recreation	0	0	0	0
Capital Outlay	10,427	0	22,400	0
Total Expenditures	<u>66,738</u>	<u>13,485</u>	<u>22,400</u>	<u>9</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>6,705</u>	<u>(5,607)</u>	<u>0</u>	<u>26,076</u>
Fund Balances at Beginning of Year				
Restatement	7,794	0	0	0
Restated Fund Balance	<u>7,794</u>	<u>5,607</u>	<u>0</u>	<u>72,434</u>
Fund Balance End of Year				
	<u>\$ 14,499</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 98,510</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, 2010

	<u>Streets</u>	<u>Recreation</u>	<u>Cemetery</u>	<u>Total</u>
Revenues				
Gasoline Taxes	\$ 31,826	\$ 0	\$ 0	\$ 31,826
Cigarette Taxes	0	1,483	0	1,483
Charge for Service	0	0	1,045	1,045
Fees & Fines	0	0	0	26,085
State Grant	52,453	0	0	156,106
Interest Income	0	0	0	68
Miscellaneous	0	0	19,479	19,479
Total Revenues	<u>84,279</u>	<u>1,483</u>	<u>20,524</u>	<u>236,092</u>
Expenditures				
Current				
Public Safety	0	0	0	69,805
Public Works	25,991	0	9,963	35,954
Culture & Recreation	0	1,370	0	1,370
Capital Outlay	72,330	0	0	105,157
Total Expenditures	<u>98,321</u>	<u>1,370</u>	<u>9,963</u>	<u>212,286</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(14,042)</u>	<u>113</u>	<u>10,561</u>	<u>23,806</u>
Fund Balances at Beginning of Year	0	3,730	6,330	17,854
Restatement	31,084	0	0	109,125
Restated Fund Balance	<u>31,084</u>	<u>3,730</u>	<u>6,330</u>	<u>126,979</u>
Fund Balance End of Year	<u>\$ 17,042</u>	<u>\$ 3,843</u>	<u>\$ 16,891</u>	<u>\$ 150,785</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 73,375	\$ 73,375	\$ 73,375	\$ 0
Interest Income	0	0	68	68
Total Revenues	<u>73,375</u>	<u>73,375</u>	<u>73,443</u>	<u>68</u>
Expenditures				
Public Safety				
Operating Expenses	55,351	55,351	54,924	427
Capital Outlay	10,000	10,000	10,427	(427)
Total Expenditures	<u>65,351</u>	<u>65,351</u>	<u>65,351</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	8,024	8,024	8,092	68
Cash Balance Beginning of Year	<u>10,008</u>	<u>10,008</u>	<u>10,008</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 18,032</u>	<u>\$ 18,032</u>	<u>\$ 18,100</u>	<u>\$ 68</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 8,092	
Net change in Accounts Payable			(1,387)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 6,705</u>	

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

STATE OF NEW MEXICO
VILLAGE OF LOVING
SPECIAL REVENUE FUND-EMERGENCY MEDICAL SERVICES FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 8,400	\$ 8,400	\$ 7,878	\$ (522)
Total Revenues	<u>8,400</u>	<u>8,400</u>	<u>7,878</u>	<u>(522)</u>
Expenditures				
Public Safety				
Operating Expenses	14,007	14,007	13,485	522
Total Expenditures	<u>14,007</u>	<u>14,007</u>	<u>13,485</u>	<u>522</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,607)	(5,607)	(5,607)	0
Cash Balance Beginning of Year	<u>5,607</u>	<u>5,607</u>	<u>5,607</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			\$ (5,607)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (5,607)</u>	

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

STATE OF NEW MEXICO
VILLAGE OF LOVING
SPECIAL REVENUE FUND-LAW ENFORCEMENT FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 22,400	\$ 22,400	\$ 22,400	\$ 0
Total Revenues	<u>22,400</u>	<u>22,400</u>	<u>22,400</u>	<u>0</u>
Expenditures				
Public Safety				
Capital Outlay	22,400	22,400	22,400	0
Total Expenditures	<u>22,400</u>	<u>22,400</u>	<u>22,400</u>	<u>0</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.

STATE OF NEW MEXICO
VILLAGE OF LOVING
SPECIAL REVENUE FUND-CORRECTIONS FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 18,500	\$ 18,500	\$ 23,696	\$ 5,196
Total Revenues	<u>18,500</u>	<u>18,500</u>	<u>23,696</u>	<u>5,196</u>
Expenditures				
Public Safety				
Operating Expenses	<u>7,500</u>	<u>7,500</u>	<u>9</u>	<u>7,491</u>
Total Expenditures	<u>7,500</u>	<u>7,500</u>	<u>9</u>	<u>7,491</u>
Excess (Deficiency) of Revenues Over Expenditures	11,000	11,000	23,687	12,687
Cash Balance Beginning of Year	<u>72,434</u>	<u>72,434</u>	<u>72,434</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 83,434</u>	<u>\$ 83,434</u>	<u>\$ 96,121</u>	<u>\$ 12,687</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 23,687	
Net change in Accounts Payable			<u>2,389</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 26,076</u>	

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

STATE OF NEW MEXICO
VILLAGE OF LOVING
SPECIAL REVENUE FUND-STREETS FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gas Taxes	\$ 31,412	\$ 31,412	\$ 30,636	\$ (776)
State Grant	52,453	52,453	52,453	0
Total Revenues	<u>83,865</u>	<u>83,865</u>	<u>83,089</u>	<u>(776)</u>
Expenditures				
Public Safety				
Operating Expenses	30,577	30,577	26,649	3,928
Capital Outlay	76,000	76,000	72,330	3,670
Total Expenditures	<u>106,577</u>	<u>106,577</u>	<u>98,979</u>	<u>7,598</u>
Excess (Deficiency) of Revenues Over Expenditures	(22,712)	(22,712)	(15,890)	6,822
Cash Balance Beginning of Year	<u>30,271</u>	<u>30,271</u>	<u>30,271</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 7,559</u>	<u>\$ 7,559</u>	<u>\$ 14,381</u>	<u>\$ 6,822</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (15,890)	
Net change in Taxes Receivable			1,191	
Net change in Accounts Payable			657	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (14,042)</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 1,454	\$ 1,454	\$ 1,354	\$ (100)
Total Revenues	<u>1,454</u>	<u>1,454</u>	<u>1,354</u>	<u>(100)</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>1,350</u>	<u>1,350</u>	<u>1,258</u>	<u>92</u>
Total Expenditures	<u>1,350</u>	<u>1,350</u>	<u>1,258</u>	<u>92</u>
Excess (Deficiency) of Revenues Over Expenditures	104	104	96	(8)
Cash Balance Beginning of Year	<u>3,804</u>	<u>3,804</u>	<u>3,804</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 3,908</u>	<u>\$ 3,908</u>	<u>\$ 3,900</u>	<u>\$ (8)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 96	
Net change in Taxes Receivable			128	
Net change in Accounts Payable			<u>(111)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 113</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Services	\$ 1,120	\$ 1,120	\$ 1,045	\$ (75)
Gas & Oil Lease	4,451	4,451	19,479	15,028
Total Revenues	<u>5,571</u>	<u>5,571</u>	<u>20,524</u>	<u>14,953</u>
Expenditures				
Public Works				
Salaries	4,200	4,200	3,690	510
Benefits	415	415	338	77
Operating Expenses	5,790	5,790	5,806	(16)
Total Expenditures	<u>10,405</u>	<u>10,405</u>	<u>9,834</u>	<u>571</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,834)	(4,834)	10,690	15,524
Cash Balance Beginning of Year	<u>6,330</u>	<u>6,330</u>	<u>6,330</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,496</u>	<u>\$ 1,496</u>	<u>\$ 17,020</u>	<u>\$ 15,524</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 10,690	
Net change in Accrued Salaries & Benefits			(129)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 10,561</u>	

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

**SUPPLEMENTAL INFORMATION RELATED TO
MAJOR FUNDS**

ENTERPRISE FUNDS

Joint Water and Sewer Fund and the Waste Disposal Fund

To account for the provision of water, sewer 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-JOINT WATER AND SEWER FUND
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Sales & Service	\$ 216,052	\$ 216,052	\$ 204,287	\$ (11,765)
Fees	11,799	11,799	11,641	(158)
Interest Income	75	75	50	(25)
Miscellaneous	50	50	50	0
Total Revenues	227,976	227,976	216,028	(11,948)
Expenditures				
Public Works				
Salaries	99,825	99,825	99,824	1
Benefits	32,963	32,963	32,974	(11)
Operating Expenses	97,828	97,828	97,210	618
Debt Service				
Interest	2,000	2,000	2,000	0
Principal	6,725	6,725	6,725	0
Total Expenditures	239,341	239,341	238,733	608
Excess (Deficiency) of Revenues Over Expenditures	(11,365)	(11,365)	(22,705)	(12,556)
Other Financing Sources				
Transfer from General	12,985	12,985	12,895	90
Total Other Financing Sources	12,985	12,985	12,895	90
Net Change in Cash Balance	1,620	1,620	(9,810)	(12,466)
Cash Balance Beginning of Year	64,438	64,438	64,438	0
Cash Balance End of Year	\$ 66,058	\$ 66,058	\$ 54,628	\$ (12,466)
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (9,810)	
Net change in Accounts Receivable			(9,053)	
Depreciation			(109,858)	
Net change in Accounts Payable			1,393	
Net change in Accrued Salaries			(205)	
Net change in Accrued Interest			60	
Net change in Compensated Absences			1,277	
Net change in Meter Deposits			(1,346)	
Principal Paid			2,000	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ (125,542)	

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

STATE OF NEW MEXICO
VILLAGE OF LOVING
 PROPRIETARY FUND-WASTE DISPOSAL FUND
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Sales & Services	\$ 39,800	\$ 39,800	40,686	\$ 886
Environmental Tax	12,767	12,767	13,299	532
Total Revenues	<u>52,567</u>	<u>52,567</u>	<u>53,985</u>	<u>1,418</u>
Expenditures				
Public Works				
Salaries	37,740	37,740	36,690	1,050
Benefits	19,829	19,829	19,623	206
Operating Expenses	<u>25,747</u>	<u>25,747</u>	<u>26,279</u>	<u>(532)</u>
Total Expenditures	<u>83,316</u>	<u>83,316</u>	<u>82,592</u>	<u>724</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(30,749)</u>	<u>(30,749)</u>	<u>(28,607)</u>	<u>2,142</u>
Other Financing Sources				
Transfer from General	<u>30,749</u>	<u>30,749</u>	<u>28,607</u>	<u>2,142</u>
Total Other Financing Sources	<u>30,749</u>	<u>30,749</u>	<u>28,607</u>	<u>2,142</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			(7,834)	
Net change in Taxes Receivable			542	
Net change in Accounts Receivable			(150)	
Net change in Accounts Payable			(1,338)	
Net change in Accrued Salaries & Benefits			(120)	
Net change in Compensated Absences			(1,740)	
Change in Net Assets-GAAP Basis			<u>\$ (10,640)</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, the aggregate remaining fund information, the budgetary comparisons for the general fund and the combining and individual funds and related budgetary comparisons presented as supplemental information of the VILLAGE OF LOVING (Village), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 22, 2010. 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 auditing 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses listed as 10-1.

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 our 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*.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village's response and accordingly, we express no opinion on it.

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 - Local Government 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.

 CPA PC

November 22, 2010

Prior Year Audit Findings

There were no prior year audit findings.

Current Year Audit Findings

10-1 Employee hours not calculated correctly

Condition

The audit revealed that one employee of a random sample of seven was over-paid. Specifically, the employee received overtime based on sick leave rather than overtime for hours worked. The employee actually worked 36.49 hours and then took 8 hours of sick leave. As a result, the employee was overpaid \$141.75 and the employee's sick leave was docked 8 hours instead of 3.51 hours needed to reach 40 hours.

Criteria

In accordance with NMSA 1978, § 50-4-24, employees shall be paid time and a half for each overtime hour worked.

Effect

Employees are not being paid correctly for the time they work.

Cause

Village employees responsible for calculating overtime pay were not correctly informed of the provisions of NMSA 1978, § 50-4-24.

Recommendation

The Village should undertake to provide the personnel responsible for payroll with sufficient training and supervision to ensure compliance with calculation of overtime wages.

Response

Clerk will attend training seminars regarding payroll law, and payroll regulations will be studied to ensure compliance with Federal and State labor laws.

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 22, 2010. In attendance were Pete Estrada-Mayor, Ricky Fuentes-Mayor Pro Tem, Manuel Garza-Clerk and De'Aun Willoughby, CPA.