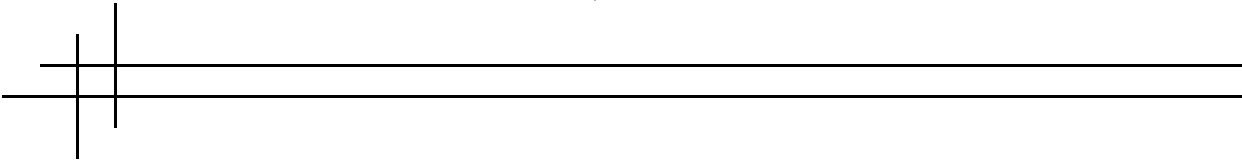


STATE OF NEW MEXICO
VILLAGE OF LOVING

ANNUAL FINANCIAL REPORT
June 30, 2011

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



STATE OF NEW MEXICO
VILLAGE OF LOVING
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STATE OF NEW MEXICO
VILLAGE OF LOVING
Official Roster
June 30, 2011

BOARD OF TRUSTEES

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

ADMINISTRATIVE OFFICIAL

Manuel Garza	Clerk/Treasurer
--------------	-----------------

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 and the budgetary comparisons for the general fund of the Village of Loving, (Village), as of and for the year ended June 30, 2011, 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 comparison 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, 2011, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2011, and the respective changes in financial position, and cash flows where applicable, thereof and the respective budgetary comparison for the general fund 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, 2011, and the respective changes in financial position thereof, and the respective budgetary comparisons of the major capital project fund and nonmajor governmental 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 15, 2011, 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.

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 the purpose 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 15, 2011

FINANCIAL SECTION

STATE OF NEW MEXICO
VILLAGE OF LOVING
 Government-Wide Statement of Net Assets
 June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 681,697	\$ 64,597	\$ 746,294
Receivables			
Accounts, net of allowance for uncollectibles	0	39,111	39,111
Taxes	44,020	3,488	47,508
Total Current Assets	<u>725,717</u>	<u>107,196</u>	<u>832,913</u>
Noncurrent Assets			
Restricted Cash	0	39,483	39,483
Capital Assets	4,457,816	5,385,473	9,843,289
Less: Accumulated Depreciation	(1,691,868)	(2,117,914)	(3,809,782)
Total Noncurrent Assets	<u>2,765,948</u>	<u>3,307,042</u>	<u>6,072,990</u>
Total Assets	<u>3,491,665</u>	<u>3,414,238</u>	<u>6,905,903</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	7,493	5,597	13,090
Accrued Salaries & Benefits	6,463	2,236	8,699
Accrued Interest	0	4,645	4,645
Current Portion of Long-Term Debt	2,461	2,000	4,461
Total Current Liabilities	<u>16,417</u>	<u>14,478</u>	<u>30,895</u>
Noncurrent Liabilities			
Compensated Absences	29,461	13,600	43,061
Customer Deposits	0	32,238	32,238
Bonds and Notes	24,701	154,700	179,401
Total Noncurrent Liabilities	<u>54,162</u>	<u>200,538</u>	<u>254,700</u>
Total Liabilities	<u>70,579</u>	<u>215,016</u>	<u>285,595</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,738,786	3,041,214	5,780,000
Unrestricted	682,300	158,008	840,308
Total Net Assets	<u>\$ 3,421,086</u>	<u>\$ 3,199,222</u>	<u>\$ 6,620,308</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, 2011

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	\$ 296,726	\$ 37,976	\$ 145,447	\$ 0	\$ (113,303)	\$ 0	\$ (113,303)
Public Safety	563,697	5,368	148,473	23,650	(386,206)	0	(386,206)
Public Works	122,512	92,948	0	245,872	216,308	0	216,308
Culture & Recreation	24,021	0	3,557	133,104	112,640	0	112,640
Total Governmental Activities	<u>1,006,956</u>	<u>136,292</u>	<u>297,477</u>	<u>402,626</u>	<u>(170,561)</u>	<u>0</u>	<u>(170,561)</u>
Business-type Activities							
Water	317,131	267,989	0	0	0	(49,142)	(49,142)
Waste Disposal	90,208	43,322	0	0	0	(46,886)	(46,886)
Total Business-type Activities	<u>\$ 407,339</u>	<u>\$ 311,311</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>(96,028)</u>	<u>(96,028)</u>
General Revenues							
Taxes							
Property					12,168	0	12,168
Franchise					20,005	0	20,005
Gross Receipts					382,717	11,201	393,918
Gasoline					32,782	0	32,782
Other Taxes					135	0	135
Miscellaneous					43,470	0	43,470
Total General Revenues					<u>491,277</u>	<u>11,201</u>	<u>502,478</u>
Other Items							
Transfer In (Out)					(28,315)	28,315	0
Change in Net Assets					292,401	(56,512)	235,889
Net Assets - beginning					3,128,685	3,255,734	6,384,419
Net Assets - ending					<u>\$ 3,421,086</u>	<u>\$ 3,199,222</u>	<u>\$ 6,620,308</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, 2011

	General Fund	Capital Projects	Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 483,788	\$ 0	\$ 197,909
Receivables			
Taxes	44,020	0	0
Total Assets	<u>\$ 527,808</u>	<u>\$ 0</u>	<u>\$ 197,909</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 4,774	\$ 0	\$ 2,719
Accrued Salaries & Benefits	6,245	0	218
Total Liabilities	<u>11,019</u>	<u>0</u>	<u>2,937</u>
Fund Balances			
Restricted for, reported in			
Special Revenue Fund	0	0	194,972
Capital Projects	0	0	0
Unassigned- General Fund			
General Fund	516,789	0	0
Total Fund Balances	<u>516,789</u>	<u>0</u>	<u>194,972</u>
Total Liabilities and Fund Balances	<u>\$ 527,808</u>	<u>\$ 0</u>	<u>\$ 197,909</u>

The notes to the financial statements are an integral

STATE OF NEW MEXICO
VILLAGE OF LOVING
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2011

	Total Governmental Funds
	<u> </u>
ASSETS	
Cash and Cash Equivalents	\$ 681,697
Receivables	
Taxes	44,020
Total Assets	<u>\$ 725,717</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 7,493
Accrued Salaries & Benefits	6,463
Total Liabilities	<u>13,956</u>
Fund Balances	
Restricted for, reported in	
Special Revenue Fund	194,972
Capital Projects	0
Unassigned- General Fund	
General Fund	516,789
Total Fund Balances	<u>711,761</u>
 Total Liabilities and Fund Balances	 <u>\$ 725,717</u>

The notes to the financial statements are an integral

STATE OF NEW MEXICO
VILLAGE OF LOVING
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2011

Total Fund Balance - Governmental Funds \$ 711,761

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	\$ 4,457,816	
Accumulated depreciation	<u>(1,691,868)</u>	2,765,948

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	(27,161)	
Compensated Absences	<u>(29,462)</u>	<u>(56,623)</u>

Total Net Assets - Governmental Activities \$ 3,421,086

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, 2011

	General Fund	Capital Projects	Non-Major Governmental Funds
Revenues			
Taxes			
Property	\$ 12,168	\$ 0	\$ 0
Franchise	20,005	0	0
Gross Receipts	382,717	0	0
Gasoline	0	0	32,782
Other	0	0	135
Charge for Service	37,976	0	5,368
Fees & Fines	70,497	0	22,451
License & Permits	1,683	0	0
State Grants	167,249	309,480	99,628
Federal Grant	0	6,396	0
County Subsidy	93,700	23,650	0
Miscellaneous	35,536	0	6,251
Total Revenues	<u>821,531</u>	<u>339,526</u>	<u>166,615</u>
Expenditures			
Current			
General	244,957	0	0
Public Safety	426,019	0	92,226
Public Works	71,468	0	29,476
Cultural & Recreation	7,322	0	726
Capital Outlay	6,250	402,625	0
Debt Services			
Principal	2,461	0	0
Total Expenditures	<u>758,477</u>	<u>402,625</u>	<u>122,428</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>63,054</u>	<u>(63,099)</u>	<u>44,187</u>
Other Financing Sources and Uses			
Transfer Out	(91,414)	63,099	0
Total Other Financing Sources and Uses	<u>(91,414)</u>	<u>63,099</u>	<u>0</u>
Net Change in Fund Balance	(28,360)	0	44,187
Fund Balances at Beginning of Year	<u>545,149</u>	<u>0</u>	<u>150,785</u>
Fund Balance End of Year	<u>\$ 516,789</u>	<u>\$ 0</u>	<u>\$ 194,972</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, 2011

	Total Governmental Funds
Revenues	
Taxes	
Property	\$ 12,168
Franchise	20,005
Gross Receipts	382,717
Gasoline	32,782
Other	135
Charge for Service	43,344
Fees & Fines	92,948
License & Permits	1,683
State Grants	576,357
Federal Grant	6,396
County Subsidy	117,350
Miscellaneous	41,787
Total Revenues	<u>1,327,672</u>
Expenditures	
Current	
General	244,957
Public Safety	518,245
Public Works	100,944
Cultural & Recreation	8,048
Capital Outlay	408,875
Debt Services	
Principal	2,461
Total Expenditures	<u>1,283,530</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>44,142</u>
Other Financing Sources and Uses	
Transfer Out	<u>(28,315)</u>
Total Other Financing Sources and Uses	<u>(28,315)</u>
Net Change in Fund Balance	15,827
Fund Balances at Beginning of Year	<u>695,934</u>
Fund Balance End of Year	<u>\$ 711,761</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, 2011

Net Change in Fund Balance	\$	15,827
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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	\$	(129,187)	
Capital Outlays		<u>408,875</u>	279,688

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, 2010		23,886	
Compensated Absences, June 30, 2011		<u>(29,461)</u>	<u>(5,575)</u>

Changes in Net Assets of Governmental Activities	\$	<u>292,401</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 11,148	\$ 11,148	\$ 13,189	\$ 2,041
Franchise Taxes	22,000	22,000	22,782	782
Gross Receipt Tax	425,460	425,460	401,704	(23,756)
License & Permits	733	733	1,683	950
Charge for Services	30,020	30,020	37,976	7,956
Fines & Forfeits	88,918	88,918	73,222	(15,696)
Grants	174,246	174,246	260,949	86,703
Miscellaneous	107,974	107,974	35,536	(72,438)
Total Revenues	<u>860,499</u>	<u>860,499</u>	<u>847,041</u>	<u>(13,458)</u>
Expenditures				
Executive				
Salaries	6,025	6,025	5,785	240
Benefits	576	576	568	8
Other Operating Expenses	86,849	86,849	32,314	54,535
Total Executive	<u>93,450</u>	<u>93,450</u>	<u>38,667</u>	<u>54,783</u>
Judicial				
Salaries	32,706	32,706	29,773	2,933
Benefits	4,444	4,444	4,218	226
Other Operating Expenses	8,750	8,750	9,299	(549)
Total Judicial	<u>45,900</u>	<u>45,900</u>	<u>43,290</u>	<u>2,610</u>
Financial Department				
Salaries	120,874	120,874	113,847	7,027
Benefits	28,493	28,493	28,011	482
Other Operating Expenses	12,893	12,893	19,399	(6,506)
Total Financial Department	<u>162,260</u>	<u>162,260</u>	<u>161,257</u>	<u>1,003</u>
Police				
Salaries	282,114	282,114	262,529	19,585
Benefits	80,108	80,108	74,119	5,989
Other Operating Expenses	98,753	98,753	84,668	14,085
Total Police	<u>460,975</u>	<u>460,975</u>	<u>421,316</u>	<u>39,659</u>
Fire Department				
Salaries	4,500	4,500	4,500	0
Benefits	408	408	408	0
Other Operating Expenses	2,902	2,902	2,902	0
Total Fire Department	<u>\$ 7,810</u>	<u>\$ 7,810</u>	<u>\$ 7,810</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
EMS				
Other Operating Expenses	\$ 5,850	\$ 5,850	\$ 3,068	\$ 2,782
Total EMS	<u>5,850</u>	<u>5,850</u>	<u>3,068</u>	<u>2,782</u>
Public Works				
Salaries	26,248	26,248	24,190	2,058
Benefits	2,275	2,275	2,143	132
Other Operating Expenses	31,867	31,867	47,023	(15,156)
Capital Outlay	0	0	6,250	(6,250)
Total Public Works	<u>60,390</u>	<u>60,390</u>	<u>79,606</u>	<u>(19,216)</u>
Parks				
Other Operating Expenses	3,150	3,150	8,242	(5,092)
Total Parks	<u>3,150</u>	<u>3,150</u>	<u>8,242</u>	<u>(5,092)</u>
Debt Service				
Principal	2,520	2,520	2,461	59
Total Debt Service	<u>2,520</u>	<u>2,520</u>	<u>2,461</u>	<u>59</u>
Total Expenditures	<u>842,305</u>	<u>842,305</u>	<u>765,717</u>	<u>76,588</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18,194</u>	<u>18,194</u>	<u>81,324</u>	<u>63,130</u>
Other Financing Sources and Uses				
Transfer to Solid Waste	(35,320)	(35,320)	(28,315)	7,005
Transfer to Capital Projects	(17,618)	(17,618)	(63,099)	(45,481)
Total Other Financing Sources	<u>(52,938)</u>	<u>(52,938)</u>	<u>(91,414)</u>	<u>(38,476)</u>
Net Change in Cash Balance	(34,744)	(34,744)	(10,090)	24,654
Cash Balance Beginning of Year	<u>493,878</u>	<u>493,878</u>	<u>493,878</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 459,134</u>	<u>\$ 459,134</u>	<u>\$ 483,788</u>	<u>\$ 24,654</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (10,090)	
Net change in Accounts Receivable			(25,510)	
Net change in Accounts Payable			5,683	
Net change in Accrued Salaries			1,557	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (28,360)</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, 2011

ASSETS	Water & Sewer	Waste Disposal	Total
Current Assets			
Cash and Cash Equivalents	\$ 64,597	\$ 0	\$ 64,597
Receivables (net of allowance for uncollectible accounts)			
Accounts	35,849	3,262	39,111
Taxes	0	3,488	3,488
Total Current Assets	<u>100,446</u>	<u>6,750</u>	<u>107,196</u>
Noncurrent Assets			
Restricted Cash	39,483	0	39,483
Capital Assets	5,271,119	114,354	5,385,473
Less: Accumulated Depreciation	(2,068,560)	(49,354)	(2,117,914)
Total Noncurrent Assets	<u>3,242,042</u>	<u>65,000</u>	<u>3,307,042</u>
Total Assets	<u>3,342,488</u>	<u>71,750</u>	<u>3,414,238</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	3,092	2,505	5,597
Accrued Salaries & Benefits	1,537	699	2,236
Accrued Interest	4,645	0	4,645
Current Portion of Long-Term Debt	2,000	0	2,000
Total Current Liabilities	<u>11,274</u>	<u>3,204</u>	<u>14,478</u>
Noncurrent Liabilities			
Compensated Absences	11,458	2,142	13,600
Customer Deposits	32,238	0	32,238
Bonds and Notes	154,700	0	154,700
Total Noncurrent Liabilities	<u>198,396</u>	<u>2,142</u>	<u>200,538</u>
Total Liabilities	<u>209,670</u>	<u>5,346</u>	<u>215,016</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,041,214	0	3,041,214
Unrestricted	91,604	66,404	158,008
Total Net Assets	<u>\$ 3,132,818</u>	<u>\$ 66,404</u>	<u>\$ 3,199,222</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, 2011

	Water	Waste Disposal	Total
Operating Revenues			
Sales & Service	\$ 260,535	\$ 43,322	\$ 303,857
Fees	4,846	0	4,846
Miscellaneous	2,608	0	2,608
Total Operating Revenues	<u>267,989</u>	<u>43,322</u>	<u>311,311</u>
Operating Expenses			
Salaries & Benefits	117,311	50,596	167,907
Other Operating Costs	85,837	31,779	117,616
Depreciation	107,401	7,833	115,234
Total Operating Expenses	<u>310,549</u>	<u>90,208</u>	<u>400,757</u>
Operating Income (Loss)	<u>(42,560)</u>	<u>(46,886)</u>	<u>(89,446)</u>
Nonoperating Revenue (Expenses)			
Environmental Tax	0	11,201	11,201
Interest Expense	<u>(6,582)</u>	<u>0</u>	<u>(6,582)</u>
Total Nonoperating Revenue (Expense)	<u>(6,582)</u>	<u>11,201</u>	<u>4,619</u>
Other Items			
Transfers	<u>(20,000)</u>	<u>48,315</u>	<u>28,315</u>
Change in Net Assets	(69,142)	12,630	(56,512)
Total Net Assets - Beginning	<u>3,201,960</u>	<u>53,774</u>	<u>3,255,734</u>
Total Net Assets - Ending	<u>\$ 3,132,818</u>	<u>\$ 66,404</u>	<u>\$ 3,199,222</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, 2011

	Water	Waste Disposal	Total
Cash Flows from Operating Activities			
Cash Received From Customers	\$ 256,991	\$ 42,967	\$ 299,958
Cash Paid to Suppliers and Employees	(178,957)	(102,483)	(281,440)
Net Cash Provided by Operating Activities	<u>78,034</u>	<u>(59,516)</u>	<u>18,518</u>
Cash Flows from Noncapital Financing Activities			
Environmental Gross Receipts Taxes	0	11,201	11,201
Operating Transfers	(20,000)	48,315	28,315
Net Cash Provided by Noncapital Financing Activities	<u>(20,000)</u>	<u>59,516</u>	<u>39,516</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	(6,582)	0	(6,582)
Net Cash Provided by Capital & Related Financing Activities	<u>(8,582)</u>	<u>0</u>	<u>(8,582)</u>
Net Increase (Decrease) in Cash	49,452	0	49,452
Cash Beginning Balance	<u>54,628</u>	<u>0</u>	<u>54,628</u>
Cash Ending Balance	<u>\$ 104,080</u>	<u>\$ 0</u>	<u>\$ 104,080</u>
Cash in the Bank	\$ 64,597	\$ 0	\$ 64,597
Restricted Cash in the Bank	39,483	0	39,483
Total Cash	<u>\$ 104,080</u>	<u>\$ 0</u>	<u>\$ 104,080</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (42,560)	\$ (46,886)	\$ (89,446)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	107,401	7,833	115,234
Change in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	(11,906)	(1,746)	(13,652)
(Increase) Decrease in Taxes Receivable	0	(354)	(354)
Increase (Decrease) in Accounts Payable	(195)	1,091	896
Increase (Decrease) in Interfund Balances	20,000	(20,000)	
Increase (Decrease) in Accrued Salaries	154	144	298
Increase (Decrease) in Accrued Interest	(59)	0	(59)
Increase (Decrease) in Compensated Absences	4,291	402	4,693
Increase (Decrease) in Meter Deposits	908	0	908
Net Cash Provided by Operating Activities	<u>\$ 78,034</u>	<u>\$ (59,516)</u>	<u>\$ 18,518</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 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.

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, 2011

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, 2011

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 6/30/11	Reconciled Balance	Type
General Fund	\$ 635,443	\$ 631,631	Checking
Joint Water	66,068	64,597	Checking
Solid Waste Disposal	825	0	Checking
Loving Water Deposit	32,588	32,412	Checking
Juvenile Recreation	3,394	3,394	Checking
Fire Fund	23,406	23,406	Checking
Cemetery Fund	19,037	18,896	Checking
CD#311157	4,370	4,370	Savings
Water Loan Reserve	7,071	7,071	Savings
TOTAL Deposited	<u>792,202</u>	<u>\$ 785,777</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	542,202		
50% collateral requirement	271,101		
Pledged securities	321,987		
Over (Under) requirement	<u>\$ 50,886</u>		

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2011

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

The following securities are pledged by Western Commerce Bank:

Description	CUSIP #	Market Value	Maturity Date	Location
FHLMC POOL #420053	31346ABW4	34,803	05-01-18	FHLB, Dallas TX
FHLMC POOL #781142	31349SHT3	\$ 177,691	01-01-34	FHLB, Dallas TX
GNMA #8279	36202KFU4	10,694	09-20-23	FHLB, Dallas TX
FNMA POOL #62689	31362JUN3	7,382	06-01-28	FHLB, Dallas TX
GNMA #8919	36202K4C6	91,417		
		<u>\$ 321,987</u>		

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in Village's name	321,987
Uninsured and uncollateralized	220,215
Total Deposits	<u>\$ 792,202</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, 2011 \$220,215 of the Village's bank balance of \$792,202 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, 2011, is as follows:

	Balance 6/30/10	Increases	Decreases	Balance 6/30/11
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 18,720	\$ 0	\$ 0	\$ 18,720
Construction in Progress	629,863	402,625	52,074	980,414
Total Capital Assets, not being Depreciated	<u>648,583</u>	<u>402,625</u>	<u>52,074</u>	<u>999,134</u>
Capital Assets, being Depreciated				
Infrastructure	72,330		0	72,330
Buildings & Improvements	2,544,698	52,074	0	2,596,772
Equipment	813,717	6,250	30,387	789,580
Total Capital Assets, being Depreciated	<u>3,430,745</u>	<u>58,324</u>	<u>30,387</u>	<u>3,458,682</u>
Total Capital Assets	<u>\$ 4,079,328</u>	<u>\$ 460,949</u>	<u>\$ 82,461</u>	<u>\$ 4,457,816</u>

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2011

Less Accumulated Depreciation

Building & Improvements	\$ 1,073,536	\$ 98,801	\$ 0	\$ 1,172,337
Equipment	519,532	30,386	30,387	519,531
Total Accumulated Depreciation	<u>1,593,068</u>	<u>129,187</u>	<u>30,387</u>	<u>1,691,868</u>
Capital Assets, net	<u>\$ 2,486,260</u>	<u>\$ 331,762</u>	<u>\$ 52,074</u>	<u>\$ 2,765,948</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 48,269
Public Safety	43,006
Public Works	21,939
Culture & Recreation	15,973
Total depreciation expenses	<u>\$ 129,187</u>

	Balance 6/30/10	Increases	Decreases	Balance 6/30/11
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	22,197	618	0	22,815
Water System	1,828,038	103,680	0	1,931,718
Equipment	152,444	3,104	0	155,548
Total Accumulated Depreciation	<u>2,002,679</u>	<u>107,402</u>	<u>0</u>	<u>2,110,081</u>
Capital Assets, net	<u>\$ 3,382,794</u>	<u>\$ (107,402)</u>	<u>\$ 0</u>	<u>\$ 3,275,392</u>

NOTE F: LONG TERM DEBT

A summary of activity in the Long-Term Debt as of June 30, 2011 is as follows:

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11	Amounts Due Within One Year
Governmental Activities					
Notes Payable	\$ 29,625	\$ 0	\$ 2,461	\$ 27,164	\$ 2,461
Other Compensated Absences	23,885	10,542	4,966	29,461	0
	<u>\$ 53,510</u>	<u>\$ 10,542</u>	<u>\$ 7,427</u>	<u>\$ 56,625</u>	<u>\$ 2,461</u>

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2011

Business-type Activities:

RUS - Water					
Bonds	\$ 158,700	\$ 0	\$ 2,000	\$ 156,700	\$ 2,000
Other Compensated Absences	<u>8,907</u>	<u>7,180</u>	<u>2,487</u>	<u>13,600</u>	<u>0</u>
	<u>\$ 167,607</u>	<u>\$ 7,180</u>	<u>\$ 4,487</u>	<u>\$ 170,300</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, 2011 are as follows:

	Principal	Interest	Total
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	2,461	0	2,461
2017-2021	12,305	0	12,305
2022	2,554	0	2,554
	<u>\$ 27,164</u>	<u>\$ 0</u>	<u>\$ 27,164</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, 2011, including interest payments are as follows:

	Principal	Interest	Total
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	2,000	6,692	8,692
2017-2021	15,000	31,660	46,660
2022-2026	18,000	28,150	46,150
2027-2031	22,000	23,740	45,740
2032-2036	27,000	18,340	45,340
2037-2041	34,000	11,590	45,590
2042-2045	30,700	3,368	34,068
	<u>\$ 156,700</u>	<u>\$ 150,804</u>	<u>\$ 307,504</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 15% 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, 2011, 2010 and 2009 were \$, \$31,820, and \$24,052, 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, 2011, were as follows:

	General	Non-Major	Utilities
Gross Receipts Taxes	\$ 43,799	\$ 0	\$ 0
Property Taxes	221	0	0
Gasoline Taxes	0	0	0
Accounts Receivable	0	0	39,111
Environmental Gross Receipts	0	0	3,488
	<u>\$ 44,020</u>	<u>\$ 0</u>	<u>\$ 42,599</u>

NOTE J: INTERFUND PAYABLES, AND TRANSFERS

Following is a schedule of the transfer among funds:

From	To	
General Fund	Capital Projects	\$ 63,099
General Fund	Solid Waste	28,315
		<u>\$ 91,414</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.

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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 505,325	\$ 505,325	\$ 354,960	\$ (150,365)
Federal Grant	616,803	616,803	6,397	(610,406)
County Subsidy	0	0	23,650	23,650
Total Revenues	<u>1,122,128</u>	<u>1,122,128</u>	<u>385,007</u>	<u>(737,121)</u>
Expenditures				
Capital Outlay	1,094,265	1,094,265	402,625	691,640
Total Expenditures	<u>1,094,265</u>	<u>1,094,265</u>	<u>402,625</u>	<u>691,640</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>27,863</u>	<u>27,863</u>	<u>(17,618)</u>	<u>(45,481)</u>
Other Sources and Uses				
Transfer to Capital Projects	17,618	17,618	63,099	(45,481)
Total Other Sources	<u>17,618</u>	<u>17,618</u>	<u>63,099</u>	<u>(45,481)</u>
Net Change in Cash Balance	45,481	45,481	45,481	0
Cash Balance Beginning of Year	<u>(45,481)</u>	<u>(45,481)</u>	<u>(45,481)</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			\$ 45,481	
Net change in Due from Grantors			(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)

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.

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)

STATE OF NEW MEXICO
VILLAGE OF LOVING
NONMAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
June 30, 2011

	<u>Fire</u>	<u>Emergency Medical Service</u>	<u>Law Enforcement</u>	<u>Corrections</u>
ASSETS				
Cash and Cash Equivalents	\$ 23,406	\$ 185	\$ 0	\$ 120,892
Receivables				
Taxes	0	0	0	0
Other	0	0	0	0
Total Assets	<u>\$ 23,406</u>	<u>\$ 185</u>	<u>\$ 0</u>	<u>\$ 120,892</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 1,560	\$ 0	\$ 0	\$ 0
Accrued Salaries & Benefits	0	0	0	0
Total Liabilities	<u>1,560</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance				
Restricted, reported in				
Special Revenue	<u>21,846</u>	<u>185</u>	<u>0</u>	<u>120,892</u>
Total Fund Balance	<u>21,846</u>	<u>185</u>	<u>0</u>	<u>120,892</u>
Total Liabilities and Fund Balance	<u>\$ 23,406</u>	<u>\$ 185</u>	<u>\$ 0</u>	<u>\$ 120,892</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, 2011

	<u>Streets</u>	<u>Cemetery</u>	<u>Juvenile Recreation</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 31,136	\$ 18,896	\$ 3,394	\$ 197,909
Receivables				
Taxes	0	0	0	0
Other	0	0	0	0
Total Assets	<u>\$ 31,136</u>	<u>\$ 18,896</u>	<u>\$ 3,394</u>	<u>\$ 197,909</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 1,017	\$ 0	\$ 142	\$ 2,719
Accrued Salaries & Benefits	0	218	0	218
Total Liabilities	<u>1,017</u>	<u>218</u>	<u>142</u>	<u>2,937</u>
Fund Balance				
Restricted, reported in				
Special Revenue	<u>30,119</u>	<u>18,678</u>	<u>3,252</u>	<u>194,972</u>
Total Fund Balance	<u>30,119</u>	<u>18,678</u>	<u>3,252</u>	<u>194,972</u>
 Total Liabilities and Fund Balance	 <u>\$ 31,136</u>	 <u>\$ 18,896</u>	 <u>\$ 3,394</u>	 <u>\$ 197,909</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, 2011

	<u>Fire</u>	<u>Emergency Medical Service</u>	<u>Law Enforcement</u>	<u>Corrections</u>
Revenues				
Gasoline Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Other Taxes	0	0	0	0
Charge for Service	0	0	0	0
Fees & Fines	0	0	0	22,451
State Grant	71,522	5,706	22,400	0
Miscellaneous	61	0	0	0
Total Revenues	<u>71,583</u>	<u>5,706</u>	<u>22,400</u>	<u>22,451</u>
Expenditures				
Current				
Public Safety	64,236	5,521	22,400	69
Public Works	0	0	0	0
Culture & Recreation	0	0	0	0
Total Expenditures	<u>64,236</u>	<u>5,521</u>	<u>22,400</u>	<u>69</u>
Excess (Deficiency) of Revenues Over Expenditures	7,347	185	0	22,382
Fund Balances at Beginning of Year	<u>14,499</u>	<u>0</u>	<u>0</u>	<u>98,510</u>
Fund Balance End of Year	<u>\$ 21,846</u>	<u>\$ 185</u>	<u>\$ 0</u>	<u>\$ 120,892</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, 2011

	<u>Streets</u>	<u>Cemetery</u>	<u>Juvenile Recreation</u>	<u>Total</u>
Revenues				
Gasoline Taxes	\$ 32,782	\$ 0	\$ 0	\$ 32,782
Other Taxes	0	0	135	135
Charge for Service	0	5,368	0	5,368
Fees & Fines	0	0	0	22,451
State Grant	0	0	0	99,628
Miscellaneous	0	6,190	0	6,251
Total Revenues	<u>32,782</u>	<u>11,558</u>	<u>135</u>	<u>166,615</u>
Expenditures				
Current				
Public Safety	0	0	0	92,226
Public Works	19,705	9,771	0	29,476
Culture & Recreation	0	0	726	726
Total Expenditures	<u>19,705</u>	<u>9,771</u>	<u>726</u>	<u>122,428</u>
Excess (Deficiency) of Revenues Over Expenditures	13,077	1,787	(591)	44,187
Fund Balances at Beginning of Year	<u>17,042</u>	<u>16,891</u>	<u>3,843</u>	<u>150,785</u>
Fund Balance End of Year	<u>\$ 30,119</u>	<u>\$ 18,678</u>	<u>\$ 3,252</u>	<u>\$ 194,972</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 71,522	\$ 71,522	\$ 71,522	\$ 0
Interest Income	0	0	61	61
Total Revenues	<u>71,522</u>	<u>71,522</u>	<u>71,583</u>	<u>61</u>
Expenditures				
Public Safety				
Operating Expenses	71,522	71,522	66,277	5,245
Capital Outlay	0	0	0	0
Total Expenditures	<u>71,522</u>	<u>71,522</u>	<u>66,277</u>	<u>5,245</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	5,306	5,306
Cash Balance Beginning of Year	<u>18,100</u>	<u>18,100</u>	<u>18,100</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 18,100</u>	<u>\$ 18,100</u>	<u>\$ 23,406</u>	<u>\$ 5,306</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 5,306	
Net change in Accounts Payable			<u>2,041</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 7,347</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 5,527	\$ 5,527	\$ 5,706	\$ 179
Total Revenues	<u>5,527</u>	<u>5,527</u>	<u>5,706</u>	<u>179</u>
Expenditures				
Public Safety				
Operating Expenses	5,527	5,527	5,521	6
Total Expenditures	<u>5,527</u>	<u>5,527</u>	<u>5,521</u>	<u>6</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	185	185
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>\$ 185</u>	<u>\$ 185</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 185	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 185</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, 2011

	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				
Operating Expenses	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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 23,950	\$ 23,950	\$ 24,840	\$ 890
Total Revenues	<u>23,950</u>	<u>23,950</u>	<u>24,840</u>	<u>890</u>
Expenditures				
Public Safety				
Operating Expenses	5,000	5,000	69	4,931
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>69</u>	<u>4,931</u>
Excess (Deficiency) of Revenues Over Expenditures	18,950	18,950	24,771	5,821
Cash Balance Beginning of Year	<u>96,121</u>	<u>96,121</u>	<u>96,121</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 115,071</u>	<u>\$ 115,071</u>	<u>\$ 120,892</u>	<u>\$ 5,821</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 24,771	
Net change in Receivables			<u>(2,389)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 22,382</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gas Taxes	\$ 31,000	\$ 31,000	\$ 35,942	\$ 4,942
State Grant	0	0	0	0
Total Revenues	<u>31,000</u>	<u>31,000</u>	<u>35,942</u>	<u>4,942</u>
Expenditures				
Public Safety				
Operating Expenses	<u>26,660</u>	<u>26,600</u>	<u>19,187</u>	<u>7,413</u>
Total Expenditures	<u>26,660</u>	<u>26,600</u>	<u>19,187</u>	<u>7,413</u>
Excess (Deficiency) of Revenues Over Expenditures	4,340	4,400	16,755	12,355
Cash Balance Beginning of Year	<u>14,381</u>	<u>14,381</u>	<u>14,381</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 18,721</u>	<u>\$ 18,781</u>	<u>\$ 31,136</u>	<u>\$ 12,355</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 16,755	
Net change in Taxes Receivable			(3,160)	
Net change in Accounts Payable			(518)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 13,077</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Services	\$ 950	\$ 950	\$ 5,368	\$ 4,418
Gas & Oil Lease	6,000	6,000	6,190	190
Total Revenues	<u>6,950</u>	<u>6,950</u>	<u>11,558</u>	<u>4,608</u>
Expenditures				
Public Works				
Salaries	4,200	4,200	4,761	(561)
Benefits	370	370	432	(62)
Operating Expenses	10,516	10,516	4,489	6,027
Total Expenditures	<u>15,086</u>	<u>15,086</u>	<u>9,682</u>	<u>5,404</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,136)	(8,136)	1,876	10,012
Cash Balance Beginning of Year	<u>17,020</u>	<u>17,020</u>	<u>17,020</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 8,884</u>	<u>\$ 8,884</u>	<u>\$ 18,896</u>	<u>\$ 10,012</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,876	
Net change in Accrued Salaries & Benefits			<u>(89)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,787</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 0	\$ 0	\$ 263	\$ 263
Total Revenues	<u>0</u>	<u>0</u>	<u>263</u>	<u>263</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>1,300</u>	<u>1,300</u>	<u>769</u>	<u>531</u>
Total Expenditures	<u>1,300</u>	<u>1,300</u>	<u>769</u>	<u>531</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,300)	(1,300)	(506)	794
Cash Balance Beginning of Year	<u>3,900</u>	<u>3,900</u>	<u>3,900</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,600</u>	<u>\$ 2,600</u>	<u>\$ 3,394</u>	<u>\$ 794</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (506)	
Net change in Taxes Receivable			(128)	
Net change in Accounts Payable			<u>43</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (591)</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Sales & Service	\$ 204,235	\$ 204,235	\$ 249,537	\$ 45,302
Fees	3,455	3,455	4,846	1,391
Miscellaneous	2,470	2,470	2,608	138
Total Revenues	<u>210,160</u>	<u>210,160</u>	<u>256,991</u>	<u>46,831</u>
Expenditures				
Public Works				
Salaries	89,683	89,683	89,683	0
Benefits	28,246	28,246	23,184	5,062
Operating Expenses	82,279	82,279	86,031	(3,752)
Debt Service				
Principal	2,000	2,000	2,000	0
Interest	6,641	6,641	6,641	0
Total Expenditures	<u>208,849</u>	<u>208,849</u>	<u>207,539</u>	<u>1,310</u>
Excess (Deficiency) of Revenues Over Expenditures	1,311	1,311	49,452	48,141
Cash Balance Beginning of Year	<u>54,628</u>	<u>54,628</u>	<u>54,628</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 55,939</u>	<u>\$ 55,939</u>	<u>\$ 104,080</u>	<u>\$ 48,141</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 49,452	
Depreciation			(107,402)	
Principal Paid			2,000	
Net change in Accounts Receivable			11,906	
Net change in Accounts Payable			195	
Net change in Interfund Balance			(20,000)	
Net change in Accrued Salaries			(153)	
Net change in Accrued Interest			59	
Net change in Compensated Absences			(4,291)	
Net change in Meter Deposits			(908)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (69,142)</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 FUND
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Sales & Services	\$ 41,580	\$ 41,580	42,967	\$ 1,387
Environmental Tax	7,500	7,500	9,455	1,955
Total Revenues	<u>49,080</u>	<u>49,080</u>	<u>52,422</u>	<u>3,342</u>
Expenditures				
Public Works				
Salaries	38,278	38,278	31,274	7,004
Benefits	17,405	17,405	18,777	(1,372)
Operating Expenses	<u>28,717</u>	<u>28,717</u>	<u>30,686</u>	<u>(1,969)</u>
Total Expenditures	<u>84,400</u>	<u>84,400</u>	<u>80,737</u>	<u>3,663</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(35,320)</u>	<u>(35,320)</u>	<u>(28,315)</u>	<u>7,005</u>
Other Financing Sources				
Transfer from General	35,320	35,320	28,315	7,005
Total Other Financing Sources	<u>35,320</u>	<u>35,320</u>	<u>28,315</u>	<u>7,005</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)	
Net change in Accounts Receivable			1,746	
Net change in Taxes Receivable			354	
Net change in Accounts Payable			(1,091)	
Net change in Interfund Balance			20,000	
Net change in Accrued Salaries & Benefits			(144)	
Net change in Compensated Absences			(402)	
Change in Net Assets-GAAP Basis			<u>\$ 12,630</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 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, 2011, and have issued our report thereon dated November 15, 2011. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting; 10-1 and 11-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is describe in the accompanying schedule of findings and responses as item 10-1 and 11-1.

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.

De'Ann Willoughby CPA PC

November 15, 2011

Prior Year Audit Findings

	<u>Status</u>
10-1 Employee hours not calculated correctly	Repeated & Modified

Current Year Audit Findings

10-1 Employee hours not calculated correctly-Compliance and Internal Control-Significant

**Deficiency
Condition**

The audit revealed that out of six employees of a random sample two were over-paid and three were under-paid. Specifically, the two were overpaid was for a total of \$180.29 and the three were underpaid for a total of \$391.86 if projected over the 26 pay periods the Municipality would of overpaid by \$4,688 and underpaid by \$10,189; a total liability to the municipality would be \$5,501. The village clerk performs all the duties and functions that are required to process payroll with little or no supervision or review. Management does not review payroll reports for accuracy or irregularities.

Criteria

Segregation of duties in payroll, a review of employee timesheets, a review of payroll reports, and proper authorization and approval for wages, as indicated in NMSA 1978 Section 6-6-3 are required to be maintained in order to have proper and sufficient internal controls to reduce the risk of fraudulent activities.

Cause

The clerk struggles with the calculation of overtime and paid time off. There is not a qualified person to review the payroll checks before they are issued.

Effect

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

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.

11-1 Stale Dated Transactions-Compliance and Internal Control-Significant Deficiency

Condition

The Village is in violation of state statutes regarding stale-dated checks. The Village maintained 18 checks that were dated over one year old at June 30, 2011. The checks totaled \$879.54 respectively.

Criteria

Section 6-10-57(A), NMSA 1978, and related regulations require that the Village provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Cause

The Village did not implement an internal control policy to account for stale dated outstanding checks and did not clear these checks on a timely basis.

Effect

Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Recommendation

We recommend that the Village implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend these checks be voided.

Response

We will void the stale checks in accordance with Section 7-8 A, NMSA 1978.

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 15, 2011. In attendance were Pete Estrada-Mayor, Manuel Garza-Clerk and De'Aun Willoughby, CPA.