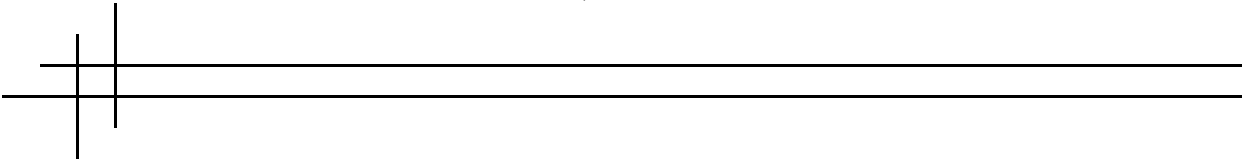


STATE OF NEW MEXICO
VILLAGE OF LOVING

ANNUAL FINANCIAL REPORT
June 30, 2012

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



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STATE OF NEW MEXICO
VILLAGE OF LOVING
Official Roster
June 30, 2012

BOARD OF TRUSTEES

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

ADMINISTRATIVE OFFICIAL

Manuel Garza	Clerk/Treasurer
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De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 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 Village of Loving, (Village), as of and for the year ended June 30, 2012, 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, 2012, 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, 2012, 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, 2012, 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 for 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 28, 2012, 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's management has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying budget comparisons are not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De'Aun Willoughby CPA PC

November 28, 2012

FINANCIAL SECTION

STATE OF NEW MEXICO
VILLAGE OF LOVING
Government-Wide Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 846,744	\$ 283,190	\$ 1,129,934
Receivables			
Accounts, net of allowance for uncollectible	0	80,683	80,683
Taxes	223,941	5,132	229,073
Total Current Assets	<u>1,070,685</u>	<u>369,005</u>	<u>1,439,690</u>
Noncurrent Assets			
Restricted Cash	0	41,907	41,907
Capital Assets	4,277,303	6,478,344	10,755,647
Less: Accumulated Depreciation	<u>(1,867,303)</u>	<u>(2,260,646)</u>	<u>(4,127,949)</u>
Total Noncurrent Assets	<u>2,410,000</u>	<u>4,259,605</u>	<u>6,669,605</u>
 Total Assets	 <u>3,480,685</u>	 <u>4,628,610</u>	 <u>8,109,295</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	22,933	20,639	43,572
Accrued Salaries & Benefits	11,249	2,884	14,133
Accrued Interest	0	4,931	4,931
Current Portion of Long-Term Debt	2,461	2,000	4,461
Total Current Liabilities	<u>36,643</u>	<u>30,454</u>	<u>67,097</u>
Noncurrent Liabilities			
Compensated Absences	31,484	17,613	49,097
Customer Deposits	0	33,571	33,571
Bonds and Notes	22,239	152,700	174,939
Total Noncurrent Liabilities	<u>53,723</u>	<u>203,884</u>	<u>257,607</u>
 Total Liabilities	 <u>90,366</u>	 <u>234,338</u>	 <u>324,704</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,385,300	4,000,900	6,386,200
Unrestricted	1,005,019	393,372	1,398,391
Total Net Assets	<u>\$ 3,390,319</u>	<u>\$ 4,394,272</u>	<u>\$ 7,784,591</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, 2012

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	\$ 328,992	\$ 62,928	\$ 289,611	\$ 0	\$ 23,547	\$ 0	\$ 23,547
Public Safety	604,409	91,213	100,810	0	(412,386)	0	(412,386)
Public Works	160,723	4,707	0	718,667	562,651	0	562,651
Culture & Recreation	52,390	0	0	0	(52,390)	0	(52,390)
Total Governmental Activities	<u>1,146,514</u>	<u>158,848</u>	<u>390,421</u>	<u>718,667</u>	<u>121,422</u>	<u>0</u>	<u>121,422</u>
Business-type Activities							
Water	434,912	539,534	0	0	0	104,622	104,622
Waste Disposal	100,478	66,589	0	0	0	(33,889)	(33,889)
Total Business-type Activities	<u>\$ 535,390</u>	<u>\$ 606,123</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>70,733</u>	<u>70,733</u>
General Revenues							
Taxes							
Property					12,444	0	12,444
Franchise					25,939	0	25,939
Gross Receipts					853,148	17,819	870,967
Gasoline					47,476	0	47,476
Other Taxes					2	0	2
Miscellaneous					15,300	0	15,300
Total General Revenues					<u>954,309</u>	<u>17,819</u>	<u>972,128</u>
Other Items							
Transfer In (Out)					(1,106,498)	1,106,498	0
Change in Net Assets					(30,767)	1,195,050	1,164,283
Net Assets - beginning					3,421,086	3,199,222	6,620,308
Net Assets - ending					<u>\$ 3,390,319</u>	<u>\$ 4,394,272</u>	<u>\$ 7,784,591</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, 2012

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 641,227	\$ 0	\$ 205,517
Receivables			
Taxes	220,119	0	3,822
Total Assets	<u>\$ 861,346</u>	<u>\$ 0</u>	<u>\$ 209,339</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 18,025	\$ 0	\$ 4,908
Accrued Salaries & Benefits	10,982	0	267
Total Liabilities	<u>29,007</u>	<u>0</u>	<u>5,175</u>
Fund Balances			
Restricted for, reported in			
Special Revenue Fund	0	0	204,164
Capital Projects	0	0	0
Unassigned- General Fund	832,339	0	0
Total Fund Balances	<u>832,339</u>	<u>0</u>	<u>204,164</u>
Total Liabilities and Fund Balances	<u>\$ 861,346</u>	<u>\$ 0</u>	<u>\$ 209,339</u>

The notes to the financial statements are an integral

STATE OF NEW MEXICO
VILLAGE OF LOVING
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2012

	Total Governmental Funds
	<u> </u>
ASSETS	
Cash and Cash Equivalents	\$ 846,744
Receivables	
Taxes	223,941
Total Assets	<u>\$ 1,070,685</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 22,933
Accrued Salaries & Benefits	11,249
Total Liabilities	<u>34,182</u>
Fund Balances	
Restricted for, reported in	
Special Revenue Fund	204,164
Capital Projects	0
Unassigned- General Fund	832,339
Total Fund Balances	<u>1,036,503</u>
Total Liabilities and Fund Balances	<u>\$ 1,070,685</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, 2012

Total Fund Balance - Governmental Funds \$ 1,036,503

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	\$ 4,277,303	
Accumulated depreciation	<u>(1,867,303)</u>	2,410,000

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	(24,699)	
Compensated Absences	<u>(31,485)</u>	<u>(56,184)</u>

Total Net Assets - Governmental Activities \$ 3,390,319

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, 2012

	General Fund	Capital Projects	Non-Major Governmental Funds
Revenues			
Taxes			
Property	\$ 12,444	\$ 0	\$ 0
Franchise	25,939	0	0
Gross Receipts	853,148	0	0
Gasoline	0	0	47,476
Other	0	0	1
Charge for Service	61,178	0	4,707
Fees & Fines	68,297	0	22,916
License & Permits	1,750	0	0
State Grants	289,611	261,757	100,810
Federal Grant	0	456,910	0
Miscellaneous	7,369	0	7,931
Total Revenues	<u>1,319,736</u>	<u>718,667</u>	<u>183,841</u>
Expenditures			
Current			
General	275,316	0	0
Public Safety	418,255	0	104,039
Public Works	100,158	0	33,155
Cultural & Recreation	7,427	0	756
Capital Outlay	184,610	718,667	36,699
Debt Services			
Principal	2,461	0	0
Total Expenditures	<u>988,227</u>	<u>718,667</u>	<u>174,649</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>331,509</u>	<u>0</u>	<u>9,192</u>
Other Financing Sources and Uses			
Transfer Out	(15,959)	0	0
Total Other Financing Sources and Uses	<u>(15,959)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	315,550	0	9,192
Fund Balances at Beginning of Year	<u>516,789</u>	<u>0</u>	<u>194,972</u>
Fund Balance End of Year	<u>\$ 832,339</u>	<u>\$ 0</u>	<u>\$ 204,164</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, 2012

	<u>Total Governmental Funds</u>
Revenues	
Taxes	
Property	\$ 12,444
Franchise	25,939
Gross Receipts	853,148
Gasoline	47,476
Other	1
Charge for Service	65,885
Fees & Fines	91,213
License & Permits	1,750
State Grants	652,178
Federal Grant	456,910
Miscellaneous	15,300
Total Revenues	<u>2,222,244</u>
Expenditures	
Current	
General	275,316
Public Safety	522,294
Public Works	133,313
Cultural & Recreation	8,183
Capital Outlay	939,976
Debt Services	
Principal	2,461
Total Expenditures	<u>1,881,543</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>340,701</u>
Other Financing Sources and Uses	
Transfer Out	(15,959)
Total Other Financing Sources and Uses	<u>(15,959)</u>
Net Change in Fund Balance	324,742
Fund Balances at Beginning of Year	<u>711,761</u>
Fund Balance End of Year	<u>\$ 1,036,503</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, 2012

Net Change in Fund Balance	\$	324,742
----------------------------	----	---------

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	\$	(205,385)	
Contribution of Capital Assets to Utility		(1,090,539)	
Capital Outlays		<u>939,976</u>	(355,948)

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

2,461

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

Compensated Absences, June 30, 2011		29,462	
Compensated Absences, June 30, 2012		<u>(31,484)</u>	<u>(2,022)</u>

Changes in Net Assets of Governmental Activities	\$	<u><u>(30,767)</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

VILLAGE OF LOVING

GENERAL FUND

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 11,336	\$ 11,336	\$ 12,461	\$ 1,125
Franchise Taxes	23,000	23,000	24,009	1,009
Gross Receipt Tax	438,338	438,338	678,962	240,624
Charge for Services	38,600	38,600	61,178	22,578
Fees & Fines	81,485	81,485	68,297	(13,188)
License & Permits	1,550	1,550	1,750	200
Grants	209,207	209,207	289,611	80,404
Miscellaneous	77,475	77,475	7,369	(70,106)
Total Revenues	<u>880,991</u>	<u>880,991</u>	<u>1,143,637</u>	<u>262,646</u>
Expenditures				
Executive				
Salaries	6,025	6,025	6,035	(10)
Benefits	572	572	609	(37)
Other Operating Expenses	41,723	41,723	42,557	(834)
Total Executive	<u>48,320</u>	<u>48,320</u>	<u>49,201</u>	<u>(881)</u>
Judicial				
Salaries	33,740	33,740	31,724	2,016
Benefits	3,598	3,598	4,943	(1,345)
Other Operating Expenses	9,412	9,412	9,158	254
Total Judicial	<u>46,750</u>	<u>46,750</u>	<u>45,825</u>	<u>925</u>
Election				
Other Operating Expenses	2,107	2,107	1,774	333
Total Election	<u>2,107</u>	<u>2,107</u>	<u>1,774</u>	<u>333</u>
Financial Department				
Salaries	121,162	121,162	119,249	1,913
Benefits	30,538	30,538	31,510	(972)
Other Operating Expenses	21,198	21,198	24,433	(3,235)
Total Financial Department	<u>172,898</u>	<u>172,898</u>	<u>175,192</u>	<u>(2,294)</u>
Police				
Salaries	246,519	246,519	217,500	29,019
Benefits	77,537	77,537	56,290	21,247
Other Operating Expenses	76,599	76,599	104,310	(27,711)
Capital Outlay	7,000	7,000	20,620	(13,620)
Total Police	<u>\$ 407,655</u>	<u>\$ 407,655</u>	<u>\$ 398,720</u>	<u>\$ 8,935</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Fire Department				
Salaries	\$ 4,500	\$ 4,500	\$ 4,500	\$ 0
Benefits	412	412	432	(20)
Other Operating Expenses	6,649	6,649	7,651	(1,002)
Capital Outlay	10,700	10,700	10,700	0
Total Fire Department	<u>22,261</u>	<u>22,261</u>	<u>23,283</u>	<u>(1,022)</u>
EMS				
Other Operating Expenses	<u>9,250</u>	<u>9,250</u>	<u>14,168</u>	<u>(4,918)</u>
Total EMS	<u>9,250</u>	<u>9,250</u>	<u>14,168</u>	<u>(4,918)</u>
Public Works				
Salaries	41,796	41,796	35,044	6,752
Benefits	11,569	11,569	11,350	219
Other Operating Expenses	64,573	64,573	53,332	11,241
Capital Outlay	0	0	0	0
Total Public Works	<u>117,938</u>	<u>117,938</u>	<u>99,726</u>	<u>18,212</u>
Parks				
Other Operating Expenses	7,341	7,341	6,599	742
Capital Outlay	<u>155,000</u>	<u>155,000</u>	<u>153,290</u>	<u>1,710</u>
Total Parks	<u>162,341</u>	<u>162,341</u>	<u>159,889</u>	<u>2,452</u>
Debt Service				
Principal	<u>25,200</u>	<u>25,200</u>	<u>2,461</u>	<u>22,739</u>
Total Debt Service	<u>25,200</u>	<u>25,200</u>	<u>2,461</u>	<u>22,739</u>
Total Expenditures	<u>1,014,720</u>	<u>1,014,720</u>	<u>970,239</u>	<u>44,481</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(133,729)</u>	<u>(133,729)</u>	<u>173,398</u>	<u>307,127</u>
Other Financing Sources and Uses				
Transfer to Solid Waste	<u>(37,980)</u>	<u>(37,980)</u>	<u>(15,959)</u>	<u>22,021</u>
Total Other Financing Sources	<u>(37,980)</u>	<u>(37,980)</u>	<u>(15,959)</u>	<u>22,021</u>
Net Change in Cash Balance	(171,709)	(171,709)	157,439	329,148
Cash Balance Beginning of Year	<u>483,788</u>	<u>483,788</u>	<u>483,788</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 312,079</u>	<u>\$ 312,079</u>	<u>\$ 641,227</u>	<u>\$ 329,148</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 157,439	
Net change in Accounts Receivable			176,098	
Net change in Accounts Payable			(13,250)	
Net change in Accrued Salaries			(4,737)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>315,550</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, 2012

ASSETS	Water & Sewer	Waste Disposal	Total
Current Assets			
Cash and Cash Equivalents	\$ 281,063	\$ 2,127	\$ 283,190
Receivables (net of allowance for uncollectible accounts)			
Accounts	73,508	7,175	80,683
Taxes	0	5,132	5,132
Total Current Assets	<u>354,571</u>	<u>14,434</u>	<u>369,005</u>
Noncurrent Assets			
Restricted Cash	41,907	0	41,907
Capital Assets	6,363,990	114,354	6,478,344
Less: Accumulated Depreciation	<u>(2,203,459)</u>	<u>(57,187)</u>	<u>(2,260,646)</u>
Total Noncurrent Assets	<u>4,202,438</u>	<u>57,167</u>	<u>4,259,605</u>
Total Assets	<u>4,557,009</u>	<u>71,601</u>	<u>4,628,610</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	19,799	840	20,639
Accrued Salaries & Benefits	2,016	868	2,884
Accrued Interest	4,931	0	4,931
Current Portion of Long-Term Debt	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Total Current Liabilities	<u>28,746</u>	<u>1,708</u>	<u>30,454</u>
Noncurrent Liabilities			
Compensated Absences	14,013	3,600	17,613
Customer Deposits	33,571	0	33,571
Bonds and Notes	<u>152,700</u>	<u>0</u>	<u>152,700</u>
Total Noncurrent Liabilities	<u>200,284</u>	<u>3,600</u>	<u>203,884</u>
Total Liabilities	<u>229,030</u>	<u>5,308</u>	<u>234,338</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,000,900	0	4,000,900
Unrestricted	<u>327,079</u>	<u>66,293</u>	<u>393,372</u>
Total Net Assets	<u>\$ 4,327,979</u>	<u>\$ 66,293</u>	<u>\$ 4,394,272</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, 2012

	Water and Sewer	Waste Disposal	Total
Operating Revenues			
Sales & Service	\$ 536,997	\$ 66,589	\$ 603,586
Miscellaneous	2,537	0	2,537
Total Operating Revenues	<u>539,534</u>	<u>66,589</u>	<u>606,123</u>
Operating Expenses			
Salaries & Benefits	121,491	55,114	176,605
Other Operating Costs	160,803	37,531	198,334
Bad Debts	10,875	0	
Depreciation	134,899	7,833	142,732
Total Operating Expenses	<u>428,068</u>	<u>100,478</u>	<u>528,546</u>
Operating Income (Loss)	<u>111,466</u>	<u>(33,889)</u>	<u>77,577</u>
Nonoperating Revenue (Expenses)			
Environmental Tax	0	17,819	17,819
Interest Expense	<u>(6,844)</u>	<u>0</u>	<u>(6,844)</u>
Total Nonoperating Revenue (Expense)	<u>(6,844)</u>	<u>17,819</u>	<u>10,975</u>
Other Items			
Contribution of Capital Assets	1,090,539	0	1,090,539
Transfers	<u>0</u>	<u>15,959</u>	<u>15,959</u>
Change in Net Assets	1,195,161	(111)	1,195,050
Total Net Assets - Beginning	<u>3,132,818</u>	<u>66,404</u>	<u>3,199,222</u>
Total Net Assets - Ending	<u>\$ 4,327,979</u>	<u>\$ 66,293</u>	<u>\$ 4,394,272</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, 2012

	Water	Waste Disposal	Total
Cash Flows from Operating Activities			
Cash Received From Customers	\$ 492,333	\$ 62,902	\$ 555,235
Cash Paid to Suppliers and Employees	(262,266)	(94,553)	(356,819)
Net Cash Provided by Operating Activities	<u>230,067</u>	<u>(31,651)</u>	<u>198,416</u>
Cash Flows from Noncapital Financing Activities			
Environmental Gross Receipts Taxes	0	17,819	17,819
Operating Transfers	0	15,959	15,959
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>33,778</u>	<u>33,778</u>
Cash Flows from Capital & Related Financing Activities			
Contribution of Capital Assets	1,090,539	0	1,090,539
Acquisition and Construction of Capital Assets	(2,333)	0	(2,333)
Principal Paid	(2,000)	0	(2,000)
Interest Paid	(6,844)	0	(6,844)
Net Cash Provided by Capital & Related Financing Activities	<u>(11,177)</u>	<u>0</u>	<u>(11,177)</u>
Net Increase (Decrease) in Cash	218,890	2,127	221,017
Cash Beginning Balance	<u>104,080</u>	<u>0</u>	<u>104,080</u>
Cash Ending Balance	<u>\$ 322,970</u>	<u>\$ 2,127</u>	<u>\$ 325,097</u>
Cash in the Bank	\$ 281,063	\$ 2,127	\$ 283,190
Restricted Cash in the Bank	41,907	0	41,907
Total Cash	<u>\$ 322,970</u>	<u>\$ 2,127</u>	<u>\$ 325,097</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 111,466	\$ (33,889)	\$ 77,577
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	134,899	7,833	142,732
Change in Assets and Liabilities			
(Increase) Decrease in Taxes Receivable	0	(1,868)	(1,868)
(Increase) Decrease in Accounts Receivable	(37,659)	(3,687)	(41,346)
Increase (Decrease) in Accounts Payable	16,709	(1,665)	15,044
Increase (Decrease) in Accrued Salaries	479	168	647
Increase (Decrease) in Accrued Interest	286	0	286
Increase (Decrease) in Compensated Absences	2,555	1,457	4,012
Increase (Decrease) in Customer Deposits	1,332	0	1,332
Net Cash Provided by Operating Activities	<u>\$ 230,067</u>	<u>\$ (31,651)</u>	<u>\$ 198,416</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, 2012

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, 2012

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.

<u>Name of Account</u>	Balance Per Bank 6/30/12	Reconciled Balance	<u>Type</u>
General Fund	\$ 824,782	\$ 820,621	Checking Non-Interest
Joint Water	286,391	281,063	Checking Non-Interest
Solid Waste Disposal	3,124	2,127	Checking Non-Interest
Loving Water Deposit	33,819	33,819	Checking Non-Interest
Juvenile Recreation	2,570	2,570	Checking Non-Interest
Fire Fund	5,893	0	Checking Non-Interest
Cemetery Fund	19,211	19,152	Checking Non-Interest
CD#311157	4,401	4,401	Savings-Interest
Water Loan Reserve	8,088	8,088	Savings-Interest
TOTAL Deposited	<u>1,188,279</u>	<u>\$ 1,171,841</u>	
Less: FDIC Coverage	<u>(1,188,279)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	1,401,537		
Over (Under) requirement	<u>\$ 1,401,537</u>		

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2012

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	\$ 27,085	05-01-18	FHLB, Dallas TX
FHLMC POOL #781142	31349SHT3	159,150	01-01-34	FHLB, Dallas TX
GNMA #8279	36202KFU4	8,796	09-20-23	FHLB, Dallas TX
FNMA POOL #62689	31362JUN3	5,981	06-01-28	FHLB, Dallas TX
GNMA #8919	36202K4C6	78,742	02-20-22	FHLB, Dallas TX
FHLMC #420109	31346ADN2	33,086	02-01-19	FHLB, Dallas TX
FHLMC #420191	31346AF83	21,212	06-01-21	FHLB, Dallas TX
FHLMC #390041	31346VBJ7	33,902	04-1-18	FHLB, Dallas TX
FHLMC #390296	31346VKH1	18,789	11-1-21	FHLB, Dallas TX
FNMA #131258	31365LWT0	4,371	03-01-21	FHLB, Dallas TX
FNMA #738717	31402UVJ8	295,850	08-01-33	FHLB, Dallas TX
FNMA #254587	31371KXQ9	248,012	12-01-22	FHLB, Dallas TX
FNMA #918314	31411YGX5	466,560	04-01-37	FHLB, Dallas TX
		<u>\$ 1,401,537</u>		

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 1,188,279
Collateralized:	
Collateral held by the pledging bank in Village's name	0
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 1,188,279</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, 2012 none of the Village's bank balance of \$1,188,279 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, 2012, is as follows:

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 18,720	\$ 0	\$ 0	\$ 18,720
Construction in Progress	980,414	718,667	1,699,081	0
Total Capital Assets, not being Depreciated	<u>\$ 999,134</u>	<u>\$ 718,667</u>	<u>\$ 1,699,081</u>	<u>\$ 18,720</u>

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2012

Capital Assets, being Depreciated								
Infrastructure	\$	72,330	\$	0	\$	0	\$	72,330
Buildings & Improvements		2,596,772		729,500		0		3,326,272
Equipment		789,579		100,352		29,950		859,981
Total Capital Assets, being Depreciated		<u>3,458,681</u>		<u>829,852</u>		<u>29,950</u>		<u>4,258,583</u>
Total Capital Assets	\$	<u>4,457,815</u>	\$	<u>1,548,519</u>	\$	<u>1,729,031</u>	\$	<u>4,277,303</u>
Less Accumulated Depreciation								
Building & Improvements	\$	1,172,337	\$	128,545	\$	0	\$	1,300,882
Equipment		519,531		76,840		29,950		566,421
Total Accumulated Depreciation		<u>1,691,868</u>		<u>205,385</u>		<u>29,950</u>		<u>1,867,303</u>
Capital Assets, net	\$	<u>2,765,947</u>	\$	<u>1,343,134</u>	\$	<u>1,699,081</u>	\$	<u>2,410,000</u>

Depreciation expense was charged to governmental activities as follows:

General	\$	53,850
Public Safety		80,726
Public Works		26,602
Culture & Recreation		44,207
Total depreciation expenses	\$	<u>205,385</u>

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12
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	1,090,539	0	6,112,481
Equipment	328,801	2,333	0	331,134
Total Capital Assets at Historical Cost	<u>5,385,472</u>	<u>1,092,872</u>	<u>0</u>	<u>6,478,344</u>
Less Accumulated Depreciation				
Buildings	22,815	619	0	23,434
Water System	1,931,718	130,943	0	2,062,661
Equipment	163,381	11,170	0	174,551
Total Accumulated Depreciation	<u>2,117,914</u>	<u>142,732</u>	<u>0</u>	<u>2,260,646</u>
Capital Assets, net	\$ <u>3,267,558</u>	\$ <u>950,140</u>	\$ <u>0</u>	\$ <u>4,217,698</u>

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2012

NOTE F: LONG TERM DEBT

A summary of activity in the Long-Term Debt as of June 30, 2012 is as follows:

	Balance 6/30/11	Additions	Reductions	Balance 6/30/12	Amounts Due Within One Year
Governmental Activities					
Notes Payable	\$ 27,164	\$ 0	\$ 2,461	\$ 24,703	2,461
Other Compensated Absences	29,461	9,079	7,056	31,484	0
	<u>\$ 56,625</u>	<u>\$ 9,079</u>	<u>\$ 9,517</u>	<u>\$ 56,187</u>	<u>2,461</u>
Business-type Activities:					
RUS - Water					
Bonds	\$ 156,700	\$ 0	\$ 2,000	\$ 154,700	2,000
Other Compensated Absences	13,600	7,470	3,457	17,613	0
	<u>\$ 170,300</u>	<u>\$ 7,470</u>	<u>\$ 5,457</u>	<u>\$ 172,313</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, 2012 are as follows:

	Principal	Interest	Total
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	2,461	0	2,461
2018-2022	12,398	0	12,398
	<u>\$ 24,703</u>	<u>\$ 0</u>	<u>\$ 24,703</u>

The Business-type activities annual requirements are:

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

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2012

The annual requirements to amortize the Bond as of June 30, 2012, including interest payments are as follows:

	Principal	Interest	Total
2013	\$ 2,000	\$ 6,962	\$ 8,962
2014	2,000	6,872	8,872
2015	2,000	6,782	8,782
2016	2,000	6,692	8,692
2017	3,000	6,602	9,602
2018-2022	15,000	30,985	45,985
2023-2027	19,000	27,340	46,340
2028-2032	23,000	22,750	45,750
2033-2037	28,000	17,125	45,125
2038-2042	36,000	10,060	46,060
2043-2045	22,700	1,986	24,686
	<u>\$ 154,700</u>	<u>\$ 144,156</u>	<u>\$ 298,856</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. September 2011 the police changed from plan 2 to plan 5, which increases the contribution rate to 16.3% for the officers and 18.5% for the village. In November 2011 regular employees changed from plan 1 to plan 2, which increased their contribution rate to 9.15% and the villages to 9.15%. 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, 2012, 2011 and 2010 were \$77,433, \$566,783, and \$59,210, 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, 2012, were as follows:

	General	Non-Major	Utilities
Property Tax	\$ 204	\$ 0	\$ 0
Franchise Tax	1,930	0	
Gross Receipts Taxes	217,985	0	0
Gasoline Taxes	0	3,822	0
Accounts Receivable	0	0	80,683
Environmental Gross Receipts	0	0	5,132
	<u>\$ 220,119</u>	<u>\$ 3,822</u>	<u>\$ 85,815</u>

NOTE J: INTERFUND PAYABLES, AND TRANSFERS

Following is a schedule of the transfer among funds:

From	To	
General Fund	Waste Disposal	\$ 15,959
		<u>\$ 15,959</u>

A transfer was made from the General Fund to the 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: DEFICIT FUND BALANCE

The Fire Fund had a deficit fund balance of \$(2,602).

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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 261,893	\$ 261,893	\$ 261,757	\$ (136)
Federal Grant	456,909	456,909	456,910	1
Total Revenues	<u>718,802</u>	<u>718,802</u>	<u>718,667</u>	<u>(135)</u>
Expenditures				
Capital Outlay	<u>718,802</u>	<u>718,802</u>	<u>718,667</u>	<u>135</u>
Total Expenditures	<u>718,802</u>	<u>718,802</u>	<u>718,667</u>	<u>135</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			<u>\$ 0</u>	
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)

Corrections

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, 2012

	<u>Fire</u>	<u>Emergency Medical Service</u>	<u>Law Enforcement</u>	<u>Corrections</u>
ASSETS				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 143,808
Receivables				
Taxes	0	0	0	0
Other	0	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 143,808</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 2,602	\$ 0	\$ 0	\$ 0
Accrued Salaries & Benefits	0	0	0	0
Total Liabilities	<u>2,602</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance				
Restricted, reported in				
Special Revenue	<u>(2,602)</u>	<u>0</u>	<u>0</u>	<u>143,808</u>
Total Fund Balance	<u>(2,602)</u>	<u>0</u>	<u>0</u>	<u>143,808</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 143,808</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, 2012

	<u>Streets</u>	<u>Cemetery</u>	<u>Juvenile Recreation</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents	\$ 39,987	\$ 19,152	\$ 2,570	\$ 205,517
Receivables				
Taxes	3,822	0	0	3,822
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 43,809</u>	<u>\$ 19,152</u>	<u>\$ 2,570</u>	<u>\$ 209,339</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 1,403	\$ 830	\$ 73	\$ 4,908
Accrued Salaries & Benefits	<u>0</u>	<u>267</u>	<u>0</u>	<u>267</u>
Total Liabilities	<u>1,403</u>	<u>1,097</u>	<u>73</u>	<u>5,175</u>
Fund Balance				
Restricted, reported in				
Special Revenue	<u>42,406</u>	<u>18,055</u>	<u>2,497</u>	<u>204,164</u>
Total Fund Balance	<u>42,406</u>	<u>18,055</u>	<u>2,497</u>	<u>204,164</u>
Total Liabilities and Fund Balance	<u>\$ 43,809</u>	<u>\$ 19,152</u>	<u>\$ 2,570</u>	<u>\$ 209,339</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, 2012

	<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	22,916
State Grant	70,092	8,318	22,400	0
Miscellaneous	716	280	0	0
Total Revenues	<u>70,808</u>	<u>8,598</u>	<u>22,400</u>	<u>22,916</u>
Expenditures				
Current				
Public Safety	95,256	8,783	0	0
Public Works	0	0	0	0
Culture & Recreation	0	0	0	0
Capital Outlay	0	0	22,400	0
Total Expenditures	<u>95,256</u>	<u>8,783</u>	<u>22,400</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(24,448)	(185)	0	22,916
Fund Balances at Beginning of Year	<u>21,846</u>	<u>185</u>	<u>0</u>	<u>120,892</u>
Fund Balance End of Year	<u>\$ (2,602)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 143,808</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, 2012

	<u>Streets</u>	<u>Cemetery</u>	<u>Juvenile Recreation</u>	<u>Total</u>
Revenues				
Gasoline Taxes	\$ 47,476	\$ 0	\$ 0	\$ 47,476
Other Taxes	0	0	1	1
Charge for Service	0	4,707	0	4,707
Fees & Fines	0	0	0	22,916
State Grant	0	0	0	100,810
Miscellaneous	0	6,935	0	7,931
Total Revenues	<u>47,476</u>	<u>11,642</u>	<u>1</u>	<u>183,841</u>
Expenditures				
Current				
Public Safety	0	0	0	104,039
Public Works	20,890	12,265	0	33,155
Culture & Recreation	0	0	756	756
Capital Outlay	14,299	0	0	36,699
Total Expenditures	<u>35,189</u>	<u>12,265</u>	<u>756</u>	<u>174,649</u>
Excess (Deficiency) of Revenues Over Expenditures	12,287	(623)	(755)	9,192
Fund Balances at Beginning of Year	<u>30,119</u>	<u>18,678</u>	<u>3,252</u>	<u>194,972</u>
Fund Balance End of Year	<u>\$ 42,406</u>	<u>\$ 18,055</u>	<u>\$ 2,497</u>	<u>\$ 204,164</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 70,092	\$ 70,092	\$ 70,092	\$ 0
Miscellaneous	726	726	716	(10)
Total Revenues	<u>70,818</u>	<u>70,818</u>	<u>70,808</u>	<u>(10)</u>
Expenditures				
Public Safety				
Operating Expenses	94,224	94,224	94,214	10
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>94,224</u>	<u>94,224</u>	<u>94,214</u>	<u>10</u>
Excess (Deficiency) of Revenues Over Expenditures	(23,406)	(23,406)	(23,406)	0
Cash Balance Beginning of Year	<u>23,406</u>	<u>23,406</u>	<u>23,406</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			\$ (23,406)	
Net change in Accounts Payable			<u>(1,042)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u><u>\$ (24,448)</u></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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 7,317	\$ 8,318	\$ 8,318	\$ 0
Miscellaneous	0	280	280	0
Total Revenues	<u>7,317</u>	<u>8,598</u>	<u>8,598</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expenses	<u>7,501</u>	<u>8,783</u>	<u>8,783</u>	<u>0</u>
Total Expenditures	<u>7,501</u>	<u>8,783</u>	<u>8,783</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(184)	(185)	(185)	0
Cash Balance Beginning of Year	<u>185</u>	<u>185</u>	<u>185</u>	<u>0</u>
Cash Balance End of Year	\$ <u>1</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			\$ <u>(185)</u>	
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, 2012

	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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 27,324	\$ 27,324	\$ 22,916	\$ (4,408)
Total Revenues	<u>27,324</u>	<u>27,324</u>	<u>22,916</u>	<u>(4,408)</u>
Expenditures				
Public Safety				
Operating Expenses	10,150	10,150	0	10,150
Total Expenditures	<u>10,150</u>	<u>10,150</u>	<u>0</u>	<u>10,150</u>
Excess (Deficiency) of Revenues Over Expenditures	17,174	17,174	22,916	5,742
Cash Balance Beginning of Year	<u>120,892</u>	<u>120,892</u>	<u>120,892</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 138,066</u>	<u>\$ 138,066</u>	<u>\$ 143,808</u>	<u>\$ 5,742</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 22,916	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 22,916</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gas Taxes	\$ 42,025	\$ 42,025	\$ 43,654	\$ 1,629
Total Revenues	<u>42,025</u>	<u>42,025</u>	<u>43,654</u>	<u>1,629</u>
Expenditures				
Public Safety				
Operating Expenses	36,222	36,222	20,504	15,718
Capital Outlay	0	0	14,299	(14,299)
Total Expenditures	<u>36,222</u>	<u>36,222</u>	<u>34,803</u>	<u>1,419</u>
Excess (Deficiency) of Revenues Over Expenditures	5,803	5,803	8,851	3,048
Cash Balance Beginning of Year	<u>31,136</u>	<u>31,136</u>	<u>31,136</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 36,939</u>	<u>\$ 36,939</u>	<u>\$ 39,987</u>	<u>\$ 3,048</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 8,851	
Net change in Taxes Receivable			3,822	
Net change in Accounts Payable			(386)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 12,287</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Services	\$ 4,690	\$ 4,690	\$ 4,707	\$ 17
Gas & Oil Lease	3,935	3,935	6,935	3,000
Total Revenues	<u>8,625</u>	<u>8,625</u>	<u>11,642</u>	<u>3,017</u>
Expenditures				
Public Works				
Salaries	6,645	6,645	6,645	0
Benefits	575	575	593	(18)
Operating Expenses	5,054	5,054	4,148	906
Total Expenditures	<u>12,274</u>	<u>12,274</u>	<u>11,386</u>	<u>888</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,649)	(3,649)	256	3,905
Cash Balance Beginning of Year	<u>18,896</u>	<u>18,896</u>	<u>18,896</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 15,247</u>	<u>\$ 15,247</u>	<u>\$ 19,152</u>	<u>\$ 3,905</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 256	
Net change in Accounts Payable			(831)	
Net change in Accrued Salaries & Benefits			(48)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (623)</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 0	\$ 0	\$ 1	\$ 1
Total Revenues	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
Expenditures				
Culture & Recreation				
Capital Outlay	1,050	1,050	825	225
Total Expenditures	<u>1,050</u>	<u>1,050</u>	<u>825</u>	<u>225</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,050)	(1,050)	(824)	226
Cash Balance Beginning of Year	<u>3,394</u>	<u>3,394</u>	<u>3,394</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,344</u>	<u>\$ 2,344</u>	<u>\$ 2,570</u>	<u>\$ 226</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (824)	
Net change in Accounts Payable			<u>69</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u><u>(755)</u></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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Sales & Service	\$ 322,517	\$ 322,517	\$ 489,796	\$ 167,279
Miscellaneous	2,445	2,445	2,537	92
Total Revenues	<u>324,962</u>	<u>324,962</u>	<u>492,333</u>	<u>167,371</u>
Expenditures				
Public Works				
Salaries	89,635	89,635	87,149	2,486
Benefits	37,004	37,004	36,955	49
Operating Expenses	128,346	128,346	138,448	(10,102)
Capital Outlay	11,738	11,738	2,333	9,405
Debt Service				
Principal	9,051	9,051	2,000	7,051
Interest	0	0	6,558	(6,558)
Total Expenditures	<u>275,774</u>	<u>275,774</u>	<u>273,443</u>	<u>2,331</u>
Excess (Deficiency) of Revenues Over Expenditures	49,188	49,188	218,890	169,702
Cash Balance Beginning of Year	<u>104,080</u>	<u>104,080</u>	<u>104,080</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 153,268</u>	<u>\$ 153,268</u>	<u>\$ 322,970</u>	<u>\$ 169,702</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 218,890	
Depreciation			(134,899)	
Contributed Capital Assets			1,090,539	
Capital Outlay			2,333	
Principal Paid			2,000	
Net change in Accounts Receivable			37,659	
Net change in Accounts Payable			(16,709)	
Net change in Accrued Salaries			(479)	
Net change in Accrued Interest			(286)	
Net change in Compensated Absences			(2,555)	
Net change in Customer Deposits			(1,332)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,195,161</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Sales & Services	\$ 51,944	\$ 51,944	62,902	\$ 10,958
Environmental Tax	8,935	8,935	15,951	7,016
Total Revenues	<u>60,879</u>	<u>60,879</u>	<u>78,853</u>	<u>17,974</u>
Expenditures				
Public Works				
Salaries	41,599	41,599	33,327	8,272
Benefits	22,261	22,261	21,618	643
Operating Expenses	<u>34,999</u>	<u>34,999</u>	<u>37,740</u>	<u>(2,741)</u>
Total Expenditures	<u>98,859</u>	<u>98,859</u>	<u>92,685</u>	<u>6,174</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(37,980)</u>	<u>(37,980)</u>	<u>(13,832)</u>	<u>24,148</u>
Other Financing Sources				
Transfer from General	37,980	37,980	15,959	22,021
Total Other Financing Sources	<u>37,980</u>	<u>37,980</u>	<u>15,959</u>	<u>22,021</u>
Net Change in Cash Balance	0	0	2,127	2,127
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>\$ 2,127</u>	<u>\$ 2,127</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance-Budgetary Basis			\$ 2,127	
Depreciation			(7,833)	
Net change in Taxes Receivable			1,868	
Net change in Accounts Receivable			3,687	
Net change in Accounts Payable			1,665	
Net change in Accrued Salaries & Benefits			(168)	
Net change in Compensated Absences			(1,457)	
Change in Net Assets-GAAP Basis			<u>\$ (111)</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 of the general fund, and the budgetary comparisons for the major capital project fund and the combining individual funds and related budgetary comparison presented as supplemental information of the Village of Loving (Village) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. 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

Management of the board is responsible for establishing and maintaining effective 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 correct 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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting; 12-1. 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 are described in the accompanying schedule of findings and responses; 12-1.

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'Aun Willoughby CPA PC

November 28, 2012

Prior Year Audit Findings

	<u>Status</u>
10-1 Employee hours not calculated correctly	Resolved
11-1 Stale Dated Transactions	Resolved

Current Year Audit Findings

12-1 Expenditures

12-1 Expenditure Issues - Compliance and Internal Control-Significant Deficiency

Condition

Of a sample size of 138 revealed the following:

- One bill was 6 months past due. The check was for \$1,937.00.

Criteria

In accordance with 6.20.2.17 Purchasing each entity shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq, NMSA 1978.

Cause

The volunteer firemen were not following the procurement act and spent the available funds. The clerk held bills until the new state grant was received causing the bill to be paid late.

Effect

Late paid bills can result in late fees and affect the reputation of the Village.

Recommendation

Volunteer firemen should be trained in the procurement process to avoid spending their entire budget causing the clerk to hold bills until new grant revenue is received.

Response

The procurement process has been discussed with the fire chief.

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 28, 2012. In attendance were Pete Estrada-Mayor, Manuel Garza-Clerk and De'Aun Willoughby, CPA.