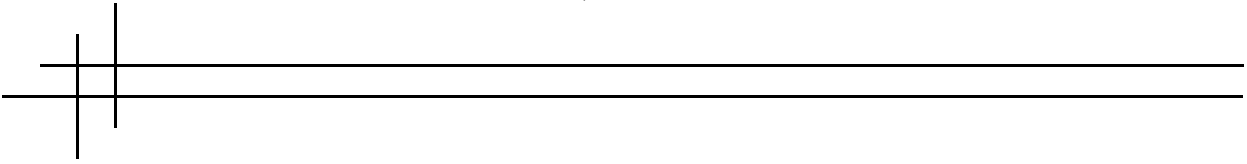


STATE OF NEW MEXICO
VILLAGE OF LOVING

ANNUAL FINANCIAL REPORT
June 30, 2013

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



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VILLAGE OF LOVING
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STATE OF NEW MEXICO
VILLAGE OF LOVING
Official Roster
June 30, 2013

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 Balderas
State Auditor of the State of New Mexico
Board Members of the Village of Loving

Mr. Balderas and Members of the Board

Report on Financial Statements

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 comparison for the general fund of Village of Loving (Village), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Villages'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 all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the major fund, and the aggregate remaining fund information of the Village as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance 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, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the Management's Discussion and Analysis which is required 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 Village's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule required by 2.2.2.NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule required by 2.2.2 NMAC is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013, 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* in considering the Village's internal control over financial reporting and compliance.

 CPA PC

Clovis, New Mexico
November 13, 2013

FINANCIAL SECTION

STATE OF NEW MEXICO
VILLAGE OF LOVING
Government-Wide Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 2,019,616	\$ 421,050	\$ 2,440,666
Receivables			
Accounts, net of allowance for uncollectible	0	47,931	47,931
Taxes	99,585	1,539	101,124
Total Current Assets	<u>2,119,201</u>	<u>470,520</u>	<u>2,589,721</u>
Noncurrent Assets			
Restricted Cash	0	45,604	45,604
Capital Assets	4,438,542	6,725,503	11,164,045
Less: Accumulated Depreciation	(2,001,440)	(2,408,940)	(4,410,380)
Total Noncurrent Assets	<u>2,437,102</u>	<u>4,362,167</u>	<u>6,799,269</u>
Total Assets	<u>4,556,303</u>	<u>4,832,687</u>	<u>9,388,990</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	11,277	9,558	20,835
Accrued Salaries & Benefits	12,031	3,409	15,440
Accrued Interest	0	4,868	4,868
Compensated Absences	35,019	3,606	38,625
Current Portion of Long-Term Debt	2,461	2,000	4,461
Total Current Liabilities	<u>60,788</u>	<u>23,441</u>	<u>84,229</u>
Noncurrent Liabilities			
Customer Deposits	0	36,498	36,498
Bonds and Notes	19,777	150,700	170,477
Total Noncurrent Liabilities	<u>19,777</u>	<u>187,198</u>	<u>206,975</u>
Total Liabilities	<u>80,565</u>	<u>210,639</u>	<u>291,204</u>
NET POSITON			
Invested in Net Capital Assets	2,170,203	4,109,662	6,279,865
Restricted	244,661	0	244,661
Unrestricted	2,060,874	512,386	2,573,260
Total Net Position	<u>\$ 4,475,738</u>	<u>\$ 4,622,048</u>	<u>\$ 9,097,786</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 330,047	\$ 30,970	\$ 35,000	\$ 0	\$ (264,077)	\$ 0	\$ (264,077)
Public Safety	644,857	64,581	197,704	0	(382,572)	0	(382,572)
Public Works	183,463	2,430	0	0	(181,033)	0	(181,033)
Culture & Recreation	84,734	0	5,394	0	(79,340)	0	(79,340)
Total Governmental Activities	<u>1,243,101</u>	<u>97,981</u>	<u>238,098</u>	<u>0</u>	<u>(907,022)</u>	<u>0</u>	<u>(907,022)</u>
Business-type Activities							
Water	407,631	622,037	0	0	0	214,406	214,406
Waste Disposal	119,230	89,221	0	0	0	(30,009)	(30,009)
Total Business-type Activities	<u>\$ 526,861</u>	<u>\$ 711,258</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>184,397</u>	<u>184,397</u>
General Revenues							
Taxes							
Property					12,650	0	12,650
Franchise					23,269	0	23,269
Gross Receipts					1,880,268	43,379	1,923,647
Gasoline					53,473	0	53,473
Miscellaneous					22,781	0	22,781
Total General Revenues					<u>1,992,441</u>	<u>43,379</u>	<u>2,035,820</u>
Change in Net Position					1,085,419	227,776	1,313,195
Net Position- beginning					<u>3,390,319</u>	<u>4,394,272</u>	<u>7,784,591</u>
Net Position - ending					<u>\$ 4,475,738</u>	<u>\$ 4,622,048</u>	<u>\$ 9,097,786</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, 2013

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,777,113	\$ 242,503	\$ 2,019,616
Receivables			
Taxes	95,998	3,587	99,585
Total Assets	<u>\$ 1,873,111</u>	<u>\$ 246,090</u>	<u>\$ 2,119,201</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 10,123	\$ 1,154	\$ 11,277
Accrued Salaries & Benefits	11,756	275	12,031
Total Liabilities	<u>21,879</u>	<u>1,429</u>	<u>23,308</u>
Fund Balances			
Restricted for, reported in			
Special Revenue Fund	0	244,661	244,661
Capital Projects	0	0	0
Unassigned- General Fund	1,851,232	0	1,851,232
Total Fund Balances	<u>1,851,232</u>	<u>244,661</u>	<u>2,095,893</u>
Total Liabilities and Fund Balances	<u>\$ 1,873,111</u>	<u>\$ 246,090</u>	<u>\$ 2,119,201</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 Position
 June 30, 2013

Total Fund Balance - Governmental Funds \$ 2,095,893

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

Capital assets used in governmental activities are not
 financial resources and therefore are not reported as
 assets in governmental funds.

	\$	4,438,542	
The cost of capital assets			
Accumulated depreciation		(2,001,440)	2,437,102

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 :

		(22,237)	
Bond payable			
Compensated Absences		(35,020)	(57,257)

Total Net Position - Governmental Activities \$ 4,475,738

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, 2013

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property	\$ 12,650	\$ 0	\$ 12,650
Franchise	23,269	0	23,269
Gross Receipts	1,880,268	0	1,880,268
Gasoline	0	53,473	53,473
Charge for Service	30,970	2,430	33,400
Fees & Fines	47,098	15,781	62,879
License & Permits	1,702	0	1,702
State Grants	140,629	97,469	238,098
Miscellaneous	17,508	5,273	22,781
Total Revenues	<u>2,154,094</u>	<u>174,426</u>	<u>2,328,520</u>
Expenditures			
Current			
General	313,339	0	313,339
Public Safety	498,489	74,821	573,310
Public Works	120,725	36,979	157,704
Cultural & Recreation	32,035	929	32,964
Capital Outlay	168,152	21,200	189,352
Debt Services			
Principal	2,461	0	2,461
Total Expenditures	<u>1,135,201</u>	<u>133,929</u>	<u>1,269,130</u>
Excess (Deficiency) of Revenues Over Expenditures	1,018,893	40,497	1,059,390
Fund Balances at Beginning of Year	<u>832,339</u>	<u>204,164</u>	<u>1,036,503</u>
Fund Balance End of Year	<u>\$ 1,851,232</u>	<u>\$ 244,661</u>	<u>\$ 2,095,893</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, 2013

Excess (Deficiency) of Revenues Over Expenditures \$ 1,059,390

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 Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	\$ (162,250)	
Capital Outlays	<u>189,352</u>	27,102

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

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, 2012	31,485	
Compensated Absences, June 30, 2013	<u>(35,019)</u>	<u>(3,534)</u>

Changes in Net Position of Governmental Activities \$ 1,085,419

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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 11,864	\$ 11,864	\$ 12,611	\$ 747
Franchise Taxes	23,000	23,000	24,002	1,002
Gross Receipt Tax	651,156	651,156	2,003,696	1,352,540
Charge for Services	53,000	53,000	30,970	(22,030)
Fees & Fines	67,425	67,425	47,098	(20,327)
License & Permits	1,635	1,635	1,702	67
Grants	319,637	319,637	140,629	(179,008)
Miscellaneous	9,798	9,798	17,508	7,710
Total Revenues	<u>1,137,515</u>	<u>1,137,515</u>	<u>2,278,216</u>	<u>1,140,701</u>
Expenditures				
Executive				
Salaries	6,025	6,025	6,185	(160)
Benefits	650	650	638	12
Other Operating Expenses	40,540	40,540	49,373	(8,833)
Total Executive	<u>47,215</u>	<u>47,215</u>	<u>56,196</u>	<u>(8,981)</u>
Judicial				
Salaries	44,960	44,960	47,583	(2,623)
Benefits	7,949	7,949	7,264	685
Other Operating Expenses	11,829	11,829	8,029	3,800
Total Judicial	<u>64,738</u>	<u>64,738</u>	<u>62,876</u>	<u>1,862</u>
Election				
Other Operating Expenses	0	25,000	2,472	22,528
Total Election	<u>0</u>	<u>25,000</u>	<u>2,472</u>	<u>22,528</u>
Financial Department				
Salaries	125,491	125,491	122,588	2,903
Benefits	35,295	35,295	39,090	(3,795)
Other Operating Expenses	31,064	31,064	31,958	(894)
Capital Outlay	0	12,000	11,560	440
Total Financial Department	<u>191,850</u>	<u>203,850</u>	<u>205,196</u>	<u>(1,346)</u>
Police				
Salaries	243,542	260,000	260,097	(97)
Benefits	98,937	98,937	96,922	2,015
Other Operating Expenses	89,518	124,725	127,047	(2,322)
Capital Outlay	20,000	20,000	13,146	6,854
Total Police	<u>\$ 451,997</u>	<u>\$ 503,662</u>	<u>\$ 497,212</u>	<u>\$ 6,450</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Fire & EMS				
Salaries	\$ 4,500	\$ 5,000	\$ 4,525	\$ 475
Benefits	717	5,000	4,885	115
Other Operating Expenses	10,240	14,490	12,198	2,292
Capital Outlay	0	30,000	30,000	0
Total Fire & EMS	<u>15,457</u>	<u>54,490</u>	<u>51,608</u>	<u>2,882</u>
Public Works				
Salaries	42,976	50,000	48,472	1,528
Benefits	12,978	12,978	7,771	5,207
Other Operating Expenses	22,058	65,000	61,736	3,264
Capital Outlay	3,000	3,000	0	3,000
Total Public Works	<u>81,012</u>	<u>130,978</u>	<u>117,979</u>	<u>12,999</u>
Parks				
Other Operating Expenses	14,375	35,000	32,884	2,116
Capital Outlay	0	150,000	113,446	36,554
Total Parks	<u>14,375</u>	<u>185,000</u>	<u>146,330</u>	<u>38,670</u>
Debt Service				
Principal	<u>2,461</u>	<u>2,461</u>	<u>2,461</u>	<u>0</u>
Total Debt Service	<u>2,461</u>	<u>2,461</u>	<u>2,461</u>	<u>0</u>
Total Expenditures	<u>869,105</u>	<u>1,217,394</u>	<u>1,142,330</u>	<u>75,064</u>
Excess (Deficiency) of Revenues Over Expenditures	268,410	(79,879)	1,135,886	1,215,765
Cash Balance Beginning of Year	<u>641,227</u>	<u>641,227</u>	<u>641,227</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 909,637</u>	<u>\$ 561,348</u>	<u>\$ 1,777,113</u>	<u>\$ 1,215,765</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,135,886	
Net change in Accounts Receivable			(124,121)	
Net change in Accounts Payable			7,902	
Net change in Accrued Salaries			(774)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,018,893</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 Position
 June 30, 2013

ASSETS	Water and Sewer	Waste Disposal	Total
Current Assets			
Cash and Cash Equivalents	\$ 397,266	\$ 23,784	\$ 421,050
Receivables (net of allowance for uncollectible accounts)			
Accounts	40,681	7,250	47,931
Taxes	0	1,539	1,539
Total Current Assets	<u>437,947</u>	<u>32,573</u>	<u>470,520</u>
Noncurrent Assets			
Restricted Cash	45,604	0	45,604
Capital Assets	6,611,149	114,354	6,725,503
Less: Accumulated Depreciation	<u>(2,343,919)</u>	<u>(65,021)</u>	<u>(2,408,940)</u>
Total Noncurrent Assets	<u>4,312,834</u>	<u>49,333</u>	<u>4,362,167</u>
Total Assets	<u>4,750,781</u>	<u>81,906</u>	<u>4,832,687</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	8,251	1,307	9,558
Accrued Salaries & Benefits	2,473	936	3,409
Accrued Interest	4,868	0	4,868
Current Portion of Long-Term Debt	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Total Current Liabilities	<u>17,592</u>	<u>2,243</u>	<u>19,835</u>
Noncurrent Liabilities			
Compensated Absences	3,606	0	3,606
Customer Deposits	36,498	0	36,498
Bonds and Notes	<u>150,700</u>	<u>0</u>	<u>150,700</u>
Total Noncurrent Liabilities	<u>190,804</u>	<u>0</u>	<u>190,804</u>
Total Liabilities	<u>208,396</u>	<u>2,243</u>	<u>210,639</u>
NET POSITION			
Invested in Net Capital Assets	4,109,662	0	4,109,662
Unrestricted	<u>432,723</u>	<u>79,663</u>	<u>512,386</u>
Total Net Position	<u>\$ 4,542,385</u>	<u>\$ 79,663</u>	<u>\$ 4,622,048</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 Net Position
 For the Year Ended June 30, 2013

	Water and Sewer	Waste Disposal	Total
Operating Revenues			
Sales & Service	\$ 621,018	\$ 89,221	\$ 710,239
Miscellaneous	1,019	0	1,019
Total Operating Revenues	<u>622,037</u>	<u>89,221</u>	<u>711,258</u>
Operating Expenses			
Salaries & Benefits	137,604	54,612	192,216
Other Operating Costs	116,866	56,785	173,651
Bad Debts	5,804	0	5,804
Depreciation	140,459	7,833	148,292
Total Operating Expenses	<u>400,733</u>	<u>119,230</u>	<u>519,963</u>
Operating Income (Loss)	<u>221,304</u>	<u>(30,009)</u>	<u>191,295</u>
Nonoperating Revenue (Expenses)			
Environmental Tax	0	43,379	43,379
Interest Expense	<u>(6,898)</u>	<u>0</u>	<u>(6,898)</u>
Total Nonoperating Revenue (Expense)	<u>(6,898)</u>	<u>43,379</u>	<u>36,481</u>
Change in Net Position	214,406	13,370	227,776
Total Net Position - Beginning	<u>4,327,979</u>	<u>66,293</u>	<u>4,394,272</u>
Total Net Position - Ending	<u>\$ 4,542,385</u>	<u>\$ 79,663</u>	<u>\$ 4,622,048</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, 2013

	Water	Waste Disposal	Total
Cash Flows from Operating Activities			
Cash Received From Customers	\$ 651,987	\$ 89,146	\$ 741,133
Cash Paid to Suppliers and Employees	(276,031)	(110,868)	(386,899)
Net Cash Provided by Operating Activities	<u>375,956</u>	<u>(21,722)</u>	<u>354,234</u>
Cash Flows from Noncapital Financing Activities			
Environmental Gross Receipts Taxes	0	43,379	43,379
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>43,379</u>	<u>43,379</u>
Cash Flows from Capital & Related Financing Activities			
Acquisition and Construction of Capital Assets	(247,158)	0	(247,158)
Principal Paid	(2,000)	0	(2,000)
Interest Paid	(6,898)	0	(6,898)
Net Cash Provided by Capital & Related Financing Activities	<u>(256,056)</u>	<u>0</u>	<u>(256,056)</u>
Net Increase (Decrease) in Cash	119,900	21,657	141,557
Cash Beginning Balance	<u>104,080</u>	<u>2,127</u>	<u>106,207</u>
Cash Ending Balance	<u>\$ 223,980</u>	<u>\$ 23,784</u>	<u>\$ 247,764</u>
Cash in the Bank	\$ 397,266	\$ 23,784	\$ 421,050
Restricted Cash in the Bank	45,604	0	45,604
Total Cash	<u>\$ 442,870</u>	<u>\$ 23,784</u>	<u>\$ 466,654</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 221,304	\$ (30,009)	\$ 191,295
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation	140,459	7,833	148,292
Change in Assets and Liabilities			
(Increase) Decrease in Taxes Receivable	0	3,592	3,592
(Increase) Decrease in Accounts Receivable	32,826	(75)	32,751
Increase (Decrease) in Accounts Payable	(11,548)	468	(11,080)
Increase (Decrease) in Accrued Salaries	457	69	526
Increase (Decrease) in Accrued Interest	(64)	0	(64)
Increase (Decrease) in Compensated Absences	(10,406)	(3,600)	(14,006)
Increase (Decrease) in Customer Deposits	2,928	0	2,928
Net Cash Provided by Operating Activities	<u>\$ 375,956</u>	<u>\$ (21,722)</u>	<u>\$ 354,234</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. 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 Position and the Statement of Activities) 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 Assets Liabilities 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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

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 Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

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

Capital Assets

Capital assets, which includes property, plant, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

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

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The Village did not have 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 Position 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 Position

Net position represents the difference between assets and liabilities. Net position 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 position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

Restricted Net Position

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position 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 positions 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	Balance Per Bank 6/30/13	Reconciled Balance	Type
General Fund	\$ 2,012,769	\$ 1,997,222	Checking Non-Interest
Joint Water	401,514	397,266	Checking Non-Interest
Solid Waste Disposal	26,137	23,784	Checking Non-Interest
Loving Water Deposit	36,691	36,498	Checking Non-Interest
Juvenile Recreation	1,642	1,568	Checking Non-Interest
Fire Fund	209	0	Checking Non-Interest
Cemetery Fund	16,438	16,406	Checking Non-Interest
CD#311157	4,420	4,420	Savings-Interest
Water Loan Reserve	9,106	9,106	Savings-Interest
TOTAL Deposited	<u>2,508,926</u>	<u>\$ 2,486,270</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	2,258,926		
50% collateral requirement	1,129,463		
Pledged securities	<u>1,329,597</u>		
Over (Under) requirement	<u>\$ 200,134</u>		

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

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2013

The following securities are pledged by Western Commerce Bank:

Description	CUSIP #	Market Value	Maturity Date	Location
FHLMC POOL #420053	31346ABW4	\$ 20,231	05-01-18	FHLB, Dallas TX
FHLMC POOL #781142	31349SHT3	143,684	01-01-34	FHLB, Dallas TX
GNMA #8279	36202KFU4	7,922	09-20-23	FHLB, Dallas TX
FNMA POOL #62689	31362JUN3	4,801	06-01-28	FHLB, Dallas TX
GNMA #8919	36202K4C6	70,927	02-20-22	FHLB, Dallas TX
FHLMC #420109	31346ADN2	24,485	02-01-19	FHLB, Dallas TX
FHLMC #420191	31346AF83	16,948	06-01-21	FHLB, Dallas TX
FHLMC #390041	31346VBJ7	26,860	04-01-18	FHLB, Dallas TX
FHLMC #390296	31346VKH1	14,665	11-01-21	FHLB, Dallas TX
FNMA #131258	31365LWT0	885	03-01-21	FHLB, Dallas TX
FNMA #738717	31402UVJ8	211,790	08-01-33	FHLB, Dallas TX
FNMA #254587	31371KXQ9	163,617	12-01-22	FHLB, Dallas TX
FNMA #918314	31411YGX5	315,623	04-01-37	FHLB, Dallas TX
FNMA #MA0299	31417YKM8	307,159	01/01/30	FHLB, Dallas TX
		<u>\$ 1,329,597</u>		

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in Village's name	1,329,597
Uninsured and uncollateralized	929,329
Total Deposits	<u>\$ 2,508,926</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, 2013 \$926,329 of the Village's bank balance of \$2,508,926 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, 2013, is as follows:

	Balance 6/30/12	Increases	Decreases	Balance 6/30/13
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 18,720	\$ 0	\$ 0	\$ 18,720
Total Capital Assets, not being Depreciated	<u>\$ 18,720</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,720</u>

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2013

Capital Assets, being Depreciated				
Infrastructure	\$ 72,330	\$ 0	\$ 0	\$ 72,330
Buildings & Improvements	3,326,272	113,446	0	3,439,718
Equipment	859,981	75,906	28,113	907,774
Total Capital Assets, being Depreciated	<u>4,258,583</u>	<u>189,352</u>	<u>28,113</u>	<u>4,419,822</u>
Total Capital Assets	<u>\$ 4,277,303</u>	<u>\$ 189,352</u>	<u>\$ 28,113</u>	<u>\$ 4,438,542</u>
Less Accumulated Depreciation				
Building & Improvements	\$ 1,300,882	\$ 95,387	\$ 0	\$ 1,396,269
Equipment	566,421	66,862	28,113	605,170
Total Accumulated Depreciation	<u>1,867,303</u>	<u>162,249</u>	<u>28,113</u>	<u>2,001,439</u>
Capital Assets, net	<u>\$ 2,410,000</u>	<u>\$ 27,103</u>	<u>\$ 0</u>	<u>\$ 2,437,103</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 6/30/12	Increases	Decreases	Balance 6/30/13
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	6,112,481	247,158	0	6,359,639
Equipment	331,134	0	0	331,134
Total Capital Assets at Historical Cost	<u>6,478,344</u>	<u>247,158</u>	<u>0</u>	<u>6,725,502</u>
Less Accumulated Depreciation				
Buildings	23,434	0	0	23,434
Water System	2,062,661	137,122	0	2,199,783
Equipment	174,551	11,170	0	185,721
Total Accumulated Depreciation	<u>2,260,646</u>	<u>148,292</u>	<u>0</u>	<u>2,408,938</u>
Capital Assets, net	<u>\$ 4,217,698</u>	<u>\$ 98,866</u>	<u>\$ 0</u>	<u>\$ 4,316,564</u>

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to the Financial Statements
June 30, 2013

NOTE F: LONG TERM DEBT

A summary of activity in the Long-Term Debt as of June 30, 2013 is as follows:

	Balance 6/30/12	Additions	Reductions	Balance 6/30/13	Amounts Due Within One Year
Governmental Activities					
Notes Payable	\$ 24,703	\$ 0	\$ 2,461	\$ 22,242	2,461
Other Compensated Absences	31,484	11,710	8,175	35,019	35,019
	<u>\$ 56,187</u>	<u>\$ 11,710</u>	<u>\$ 10,636</u>	<u>\$ 57,261</u>	<u>\$ 37,480</u>
Business-type Activities:					
RUS - Water					
Bonds	\$ 154,700	\$ 0	\$ 2,000	\$ 152,700	2,000
Other Compensated Absences	17,613	7,147	21,154	3,606	3,606
	<u>\$ 172,313</u>	<u>\$ 7,147</u>	<u>\$ 23,154</u>	<u>\$ 156,306</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, 2013 are as follows:

	Principal	Interest	Total
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	2,461	0	2,461
2019-2022	9,937	0	9,937
	<u>\$ 22,242</u>	<u>\$ 0</u>	<u>\$ 22,242</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, 2013

The annual requirements to amortize the bond as of June 30, 2013, including interest payments are as follows:

	Principal	Interest	Total
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	3,000	6,467	9,467
2019-2023	15,000	30,310	45,310
2024-2028	20,000	26,485	46,485
2029-2033	24,000	21,715	45,715
2034-2038	30,000	15,866	45,866
2039-2043	37,000	8,400	45,400
2044-2045	14,700	964	15,664
	<u>\$ 152,700</u>	<u>\$ 137,155</u>	<u>\$ 289,855</u>

NOTE G: RETIREMENT PLAN

Plan Description. Substantially all of the municipality'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 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 <http://www.pera.state.nm.us>.

Funding Policy. Non-police plan members are required to contribute 7% of their gross salary. The municipality is required to contribute 7% of the gross covered salary. Police plan members are required to contribute 7% of their gross salary. The municipality is required to contribute 10% of the gross covered salary. The contribution requirements of the plan members and the municipality are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The municipality's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$52,047, \$40,410, and \$39,088, respectively, which equal the amount of the required 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, 2013, were as follows:

	General	Non-Major	Utilities
Property Tax	\$ 244	\$ 0	\$ 0
Franchise Tax	1,197	0	
Gross Receipts Taxes	94,557	0	0
Gasoline Taxes	0	3,587	0
Accounts Receivable	0	0	47,931
Environmental Gross Receipts	0	0	1,539
	<u>\$ 95,998</u>	<u>\$ 3,587</u>	<u>\$ 49,470</u>

NOTE J: 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 K: 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 L: 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 M: DEFICIT FUND BALANCE

The Fire Fund had a deficit fund balance of \$(1,154).

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR SPECIAL REVENUE FUNDS

Fire - 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 NMSA 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 - 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 - 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, 2013

	<u>Fire</u>	<u>Emergency Medical Service</u>	<u>Law Enforcement</u>
ASSETS			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 1,154	\$ 0	\$ 0
Accrued Salaries & Benefits	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>1,154</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted, reported in			
Special Revenue	<u>(1,154)</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>(1,154)</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 2013

	<u>Corrections</u>	<u>Streets</u>	<u>Cemetery</u>
ASSETS			
Cash and Cash Equivalents	\$ 159,589	\$ 64,940	\$ 16,406
Receivables			
Taxes	0	3,587	0
Other	0	0	0
Total Assets	<u>\$ 159,589</u>	<u>\$ 68,527</u>	<u>\$ 16,406</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Salaries & Benefits	0	0	275
Total Liabilities	<u>0</u>	<u>0</u>	<u>275</u>
Fund Balance			
Restricted, reported in			
Special Revenue	<u>159,589</u>	<u>68,527</u>	<u>16,131</u>
Total Fund Balance	<u>159,589</u>	<u>68,527</u>	<u>16,131</u>
Total Liabilities and Fund Balance	<u>\$ 159,589</u>	<u>\$ 68,527</u>	<u>\$ 16,406</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, 2013

	<u>Juvenile Recreation</u>	<u>Total</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,568	\$ 242,503
Receivables		
Taxes	0	3,587
Other	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 1,568</u>	<u>\$ 246,090</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 0	\$ 1,154
Accrued Salaries & Benefits	<u>0</u>	<u>275</u>
Total Liabilities	<u>0</u>	<u>1,429</u>
Fund Balance		
Restricted, reported in		
Special Revenue	<u>1,568</u>	<u>244,661</u>
Total Fund Balance	<u>1,568</u>	<u>244,661</u>
 Total Liabilities and Fund Balance	 <u>\$ 1,568</u>	 <u>\$ 246,090</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, 2013

	<u>Fire</u>	Emergency <u>Medical Service</u>	<u>Law Enforcement</u>
Revenues			
Gasoline Taxes	\$ 0	\$ 0	\$ 0
Charge for Services	0	0	0
Fees & Fines	0	0	0
State Grant	68,885	7,384	21,200
Miscellaneous	0	0	0
Total Revenues	<u>68,885</u>	<u>7,384</u>	<u>21,200</u>
Expenditures			
Current			
Public Safety	67,437	7,384	0
Public Works	0	0	0
Culture & Recreation	0	0	0
Capital Outlay	0	0	21,200
Total Expenditures	<u>67,437</u>	<u>7,384</u>	<u>21,200</u>
Excess (Deficiency) of Revenues Over Expenditures	1,448	0	0
Fund Balances at Beginning of Year	<u>(2,602)</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ (1,154)</u>	<u>\$ 0</u>	<u>\$ 0</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, 2013

	<u>Corrections</u>	<u>Streets</u>	<u>Cemetery</u>
Revenues			
Gasoline Taxes	\$ 0	\$ 53,473	\$ 0
Charge for Services	0	0	2,430
Fees & Fines	15,781	0	0
State Grant	0	0	0
Miscellaneous	0	0	5,273
Total Revenues	<u>15,781</u>	<u>53,473</u>	<u>7,703</u>
Expenditures			
Current			
Public Safety	0	0	0
Public Works	0	27,352	9,627
Culture & Recreation	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>0</u>	<u>27,352</u>	<u>9,627</u>
Excess (Deficiency) of Revenues Over Expenditures	15,781	26,121	(1,924)
Fund Balances at Beginning of Year	<u>143,808</u>	<u>42,406</u>	<u>18,055</u>
Fund Balance End of Year	<u>\$ 159,589</u>	<u>\$ 68,527</u>	<u>\$ 16,131</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, 2013

	<u>Juvenile Recreation</u>	<u>Total</u>
Revenues		
Gasoline Taxes	\$ 0	\$ 53,473
Charge for Services	0	2,430
Fees & Fines	0	15,781
State Grant	0	97,469
Miscellaneous	0	5,273
Total Revenues	<u>0</u>	<u>174,426</u>
Expenditures		
Current		
Public Safety	0	74,821
Public Works	0	36,979
Culture & Recreation	929	929
Capital Outlay	0	21,200
Total Expenditures	<u>929</u>	<u>133,929</u>
Excess (Deficiency) of Revenues Over Expenditures	(929)	40,497
Fund Balances at Beginning of Year	<u>2,497</u>	<u>204,164</u>
Fund Balance End of Year	<u>\$ 1,568</u>	<u>\$ 244,661</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 68,885	\$ 68,885	\$ 68,885	\$ 0
Total Revenues	<u>68,885</u>	<u>68,885</u>	<u>68,885</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expenses	68,885	68,885	68,885	0
Total Expenditures	<u>68,885</u>	<u>68,885</u>	<u>68,885</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	
Net change in Accounts Payable			<u>1,448</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,448</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 7,384	\$ 7,384	\$ 7,384	\$ 0
Total Revenues	<u>7,384</u>	<u>7,384</u>	<u>7,384</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expenses	7,384	7,384	7,384	0
Total Expenditures	<u>7,384</u>	<u>7,384</u>	<u>7,384</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-LAW ENFORCEMENT FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 21,200	\$ 21,200	\$ 21,200	\$ 0
Total Revenues	<u>21,200</u>	<u>21,200</u>	<u>21,200</u>	<u>0</u>
Expenditures				
Public Safety				
Capital Outlay	21,200	21,200	21,200	0
Total Expenditures	<u>21,200</u>	<u>21,200</u>	<u>21,200</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 23,050	\$ 23,050	\$ 15,781	\$ (7,269)
Total Revenues	<u>23,050</u>	<u>23,050</u>	<u>15,781</u>	<u>(7,269)</u>
Expenditures				
Public Safety				
Operating Expenses	5,000	5,000	0	5,000
Total Expenditures	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>5,000</u>
Excess (Deficiency) of Revenues Over Expenditures	18,050	18,050	15,781	(2,269)
Cash Balance Beginning of Year	<u>143,808</u>	<u>143,808</u>	<u>143,808</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 161,858</u>	<u>\$ 161,858</u>	<u>\$ 159,589</u>	<u>\$ (2,269)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 15,781	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 15,781</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gas Taxes	\$ 43,249	\$ 43,249	\$ 53,709	\$ 10,460
Total Revenues	<u>43,249</u>	<u>43,249</u>	<u>53,709</u>	<u>10,460</u>
Expenditures				
Public Safety				
Operating Expenses	<u>33,077</u>	<u>33,077</u>	<u>28,756</u>	<u>4,321</u>
Total Expenditures	<u>33,077</u>	<u>33,077</u>	<u>28,756</u>	<u>4,321</u>
Excess (Deficiency) of Revenues Over Expenditures	10,172	10,172	24,953	14,781
Cash Balance Beginning of Year	<u>39,987</u>	<u>39,987</u>	<u>39,987</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 50,159</u>	<u>\$ 50,159</u>	<u>\$ 64,940</u>	<u>\$ 14,781</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 24,953	
Net change in Taxes Receivable			(235)	
Net change in Accounts Payable			<u>1,403</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 26,121</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Services	\$ 3,760	\$ 3,760	\$ 2,430	\$ (1,330)
Gas & Oil Royalties	7,560	7,560	5,273	(2,287)
Total Revenues	<u>11,320</u>	<u>11,320</u>	<u>7,703</u>	<u>(3,617)</u>
Expenditures				
Public Works				
Salaries	4,050	4,050	6,623	(2,573)
Benefits	352	352	566	(214)
Operating Expenses	7,621	7,621	3,260	4,361
Total Expenditures	<u>12,023</u>	<u>12,023</u>	<u>10,449</u>	<u>1,574</u>
Excess (Deficiency) of Revenues Over Expenditures	(703)	(703)	(2,746)	(2,043)
Cash Balance Beginning of Year	<u>19,152</u>	<u>19,152</u>	<u>19,152</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 18,449</u>	<u>\$ 18,449</u>	<u>\$ 16,406</u>	<u>\$ (2,043)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,746)	
Net change in Accounts Payable			830	
Net change in Accrued Salaries & Benefits			(8)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,924)</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>1,300</u>	<u>1,300</u>	<u>1,002</u>	<u>298</u>
Total Expenditures	<u>1,300</u>	<u>1,300</u>	<u>1,002</u>	<u>298</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,300)	(1,300)	(1,002)	298
Cash Balance Beginning of Year	<u>2,570</u>	<u>2,570</u>	<u>2,570</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,270</u>	<u>\$ 1,270</u>	<u>\$ 1,568</u>	<u>\$ 298</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,002)	
Net change in Accounts Payable			<u>73</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (929)</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Sales & Service	\$ 355,224	\$ 355,224	\$ 650,968	\$ 295,744
Miscellaneous	0	0	1,019	1,019
Total Revenues	<u>355,224</u>	<u>355,224</u>	<u>651,987</u>	<u>296,763</u>
Expenditures				
Public Works				
Salaries	93,738	99,000	98,981	19
Benefits	55,196	55,196	48,572	6,624
Operating Expenses	90,426	130,000	128,414	1,586
Capital Outlay	206,000	250,000	247,158	2,842
Debt Service				
Principal	2,000	2,000	2,000	0
Interest	6,962	6,962	6,962	0
Total Expenditures	<u>454,322</u>	<u>543,158</u>	<u>532,087</u>	<u>11,071</u>
Excess (Deficiency) of Revenues Over Expenditures	(99,098)	(187,934)	119,900	307,834
Cash Balance Beginning of Year	<u>322,970</u>	<u>322,970</u>	<u>322,970</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 223,872</u>	<u>\$ 135,036</u>	<u>\$ 442,870</u>	<u>\$ 307,834</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 119,900	
Depreciation			(140,459)	
Capital Outlay			247,158	
Principal Paid			2,000	
Net change in Accounts Receivable			(32,826)	
Net change in Accounts Payable			11,548	
Net change in Accrued Salaries			(457)	
Net change in Accrued Interest			64	
Net change in Compensated Absences			10,406	
Net change in Customer Deposits			(2,928)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 214,406</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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Sales & Services	\$ 89,473	\$ 89,473	89,146	\$ (327)
Environmental Tax	15,598	47,000	46,971	(29)
Total Revenues	<u>105,071</u>	<u>136,473</u>	<u>136,117</u>	<u>(356)</u>
Expenditures				
Public Works				
Salaries	36,525	36,525	36,446	79
Benefits	28,634	28,634	21,695	6,939
Operating Expenses	<u>25,691</u>	<u>57,000</u>	<u>56,319</u>	<u>681</u>
Total Expenditures	<u>90,850</u>	<u>122,159</u>	<u>114,460</u>	<u>7,699</u>
Excess (Deficiency) of Revenues Over Expenditures	14,221	14,314	21,657	7,343
Cash Balance Beginning of Year	<u>2,127</u>	<u>2,127</u>	<u>2,127</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 16,348</u>	<u>\$ 16,441</u>	<u>\$ 23,784</u>	<u>\$ 7,343</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 21,657	
Depreciation			(7,833)	
Net change in Taxes Receivable			(3,592)	
Net change in Accounts Receivable			75	
Net change in Accounts Payable			(468)	
Net change in Accrued Salaries & Benefits			(69)	
Net change in Compensated Absences			3,600	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 13,370</u>	

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

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*

Independent Auditor's Report

Mr. Hector 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, in accordance with the 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, 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, of the Village of Loving (Village) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated November 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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 Village's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 13-1

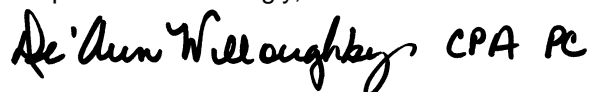
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses; 13-1

The Village's Responses to Findings

The Village's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The Village's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 De'Ann Willoughby CPA PC

Clovis, New Mexico

November 13, 2013

Prior Year Audit Findings

12-1 Expenditure Issues

Status
Resolved

Current Year Audit Findings

13-1 Payroll-Compliance and Internal Control-Significant Deficiency

Condition

The reporting of state unemployment wages, form 903A, was not timely submitted for the June 30, 2013 quarter. It was submitted August 8, 2013.

Criteria

Instructions for filing of the employer's quarterly wage and contribution report state the quarterly wage reports are due on or before the last day of the month following the completed calendar quarter. Failure to meet the deadline results in a penalty of 1% of the tax due and \$50.00.

Cause

The late filing of the 903A was caused by difficulties with the online filing requirements.

Effect

The Village could be assessed fines and penalties.

Response

The issue has been resolved and shouldn't occur again.

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 13, 2013. In attendance were Pete Estrada-Mayor, Manuel Garza-Clerk and De'Aun Willoughby, CPA.