
STATE OF NEW MEXICO
Village of Loving
June 30, 2016

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2016
With Independent Auditor's Report Thereon

Sandra Rush
Certified Public Accountant, PC

1101 E Llano Estacado
Clovis, New Mexico 88101

Introductory Section

STATE OF NEW MEXICO
VILLAGE OF LOVING

Official Roster
For the year ended June 30, 2016

Board of Trustees

Pete H Estrada

Mayor

Ricky Fuentes

Trustee

George Brewer

Trustee

Apolonio Cordova

Trustee

Serapia Parraz

Trustee

Administrative Officials

Manuel Garza

Clerk-Treasurer

STATE OF NEW MEXICO
VILLAGE OF LOVING
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VILLAGE OF LOVING
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Financial Section

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Independent Auditor's Report

Timothy Keller
New Mexico State Auditor
The Governing Board
Village of Loving
Loving, New Mexico

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Village of Loving (the Village), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents. I also have audited the financial statements of each of the Village's nonmajor governmental, fiduciary fund 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, 2016, as listed in the table of contents. I did not audit the 2015 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employees Retirement Association (PERA), the administrator of the cost sharing pension plan for the Village. The schedules and statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the Village, is based solely on the report of the other auditors.

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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, based on my report and the report of the other auditors, 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, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my 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, 2016, and the respective changes in financial position and where applicable, cash flows 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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for the Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information


My audit was conducted for the purpose of forming opinions on the Village's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were 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 my opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 8, 2016 on my consideration of the Village's internal control over financial reporting and on my 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 my 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.


Sandra Rush CPA PC
Clovis, New Mexico
December 8, 2016

Basic Financial Statements

Government-wide Financial Statements

STATE OF NEW MEXICO
VILLAGE OF LOVING
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 5,379,185	\$ 455,457	\$ 5,834,642
Cash in New Mexico Finance Authority			
State treasury debt service	4,396	-	4,396
Accounts receivable			
Taxes	71,143	3,013	74,156
Other	607	-	607
Net sales	-	46,984	46,984
	<u>5,455,331</u>	<u>505,454</u>	<u>5,960,785</u>
Total current assets			
Noncurrent assets			
Restricted cash	1,153	49,372	50,525
Capital assets	5,497,059	8,179,026	13,676,085
Accumulated depreciation	<u>(2,529,252)</u>	<u>(2,926,275)</u>	<u>(5,455,527)</u>
	<u>2,968,960</u>	<u>5,302,123</u>	<u>8,271,083</u>
Total noncurrent assets			
Total assets	8,424,291	5,807,577	14,231,868
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Aggregated deferred outflows	<u>101,981</u>	-	<u>101,981</u>
Total assets and deferred outflows of resources	<u>\$ 8,526,272</u>	<u>\$ 5,807,577</u>	<u>\$ 14,333,849</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	\$ 170,855	\$ 15,876	\$ 186,731
Accrued wages payable	11,477	7,430	18,907
Compensated absences	53,288	12,034	65,322
Current portion of long-term debt	<u>2,461</u>	<u>6,594</u>	<u>9,055</u>
	<u>238,081</u>	<u>41,934</u>	<u>280,015</u>
Total current liabilities			
Non-current liabilities			
Customer deposits	-	40,203	40,203
Long-term portion notes payable	12,398	112,056	124,454
Net pension liability	<u>760,315</u>	<u>-</u>	<u>760,315</u>
	<u>772,713</u>	<u>152,259</u>	<u>924,972</u>
Total non-current liabilities			
Total liabilities	<u>1,010,794</u>	<u>194,193</u>	<u>1,204,987</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Aggregated deferred inflows	26,664	-	26,664
<u>NET POSITION</u>			
Net investment in capital assets	2,952,948	5,134,101	8,087,049
Restricted			
Special revenue fund	157,024	-	157,024
Unrestricted	<u>4,378,842</u>	<u>479,283</u>	<u>4,858,125</u>
	<u>7,488,814</u>	<u>5,613,384</u>	<u>13,102,198</u>
Total net position			
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,526,272</u>	<u>\$ 5,807,577</u>	<u>\$ 14,333,849</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING

Statement of Activities
For the year ended June 30, 2016

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues		Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Governmental activities								
Elected officials	\$ 1,421	\$ -	\$ -	\$ -	\$ (1,421)	\$ -	\$ (1,421)	
Legislative	72,425	-	-	-	(72,425)	-	(72,425)	
Finance	204,086	7,310	32,216	-	(164,560)	-	(164,560)	
Judicial	81,165	-	-	-	(81,165)	-	(81,165)	
Public safety	710,765	-	170,538	22,400	(517,827)	-	(517,827)	
Public works	451,512	-	-	59,050	(392,462)	-	(392,462)	
Culture and recreation	62,349	6,350	5,031	-	(50,968)	-	(50,968)	
Health and welfare	1,644	6,911	-	-	5,267	-	5,267	
Total governmental activities	1,585,367	20,571	207,785	81,450	(1,275,561)	-	(1,275,561)	
Business-type activities								
Water	506,086	409,244	-	9,679	-	(87,163)	(87,163)	
Solid waste	128,905	86,466	-	-	-	(42,439)	(42,439)	
Total business-type activities	634,991	495,710	-	9,679	-	(129,602)	(129,602)	
Total governmental and business-type activities	\$ 2,220,358	\$ 516,281	\$ 207,785	\$ 91,129	\$ (1,275,561)	\$ (129,602)	\$ (1,405,163)	
			General Revenues					
			Taxes					
					3,193	-	3,193	
					27,678	-	27,678	
					79,415	7	79,422	
					416,043	-	416,043	
					37,800	-	37,800	
					248	-	248	
					3,026	-	3,026	
					400,976	-	400,976	
					-	21,841	21,841	
					1,932	-	1,932	
					69,595	-	69,595	
					638	21	659	
					-	85,385	85,385	
					90,000	-	90,000	
					1,130,544	107,254	1,237,798	
					(145,017)	(22,348)	(167,365)	
					7,646,320	5,635,372	13,281,692	
					(12,489)	360	(12,129)	
					7,633,831	5,635,732	13,269,563	
					\$ 7,488,814	\$ 5,613,384	\$ 13,102,198	

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

STATE OF NEW MEXICO
VILLAGE OF LOVING
Balance Sheet
Governmental Funds
June 30, 2016

	General 101	Municipal Streets 216	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash in banks	\$ 5,222,866	\$ 109,284	\$ 47,035	\$ 5,379,185
New Mexico Finance Authority				
Cash state treasury debt service	4,396	-	-	4,396
Accounts receivable				
Taxes	65,059	6,084	-	71,143
Grantor	-	-	-	-
Other	-	-	607	607
Restricted cash	1,153	-	-	1,153
Total assets	<u>\$ 5,293,474</u>	<u>\$ 115,368</u>	<u>\$ 47,642</u>	<u>\$ 5,456,484</u>
<u>LIABILITIES</u>				
Accounts payables	\$ 164,869	\$ 5,986	\$ -	\$ 170,855
Accrued wages payable	11,477	-	-	11,477
Total liabilities	<u>176,346</u>	<u>5,986</u>	<u>-</u>	<u>182,332</u>
<u>FUND BALANCE</u>				
Restricted for				
Special revenue funds	-	109,382	47,642	157,024
Unassigned				
General government fund	5,117,128	-	-	5,117,128
Total fund balance	<u>5,117,128</u>	<u>109,382</u>	<u>47,642</u>	<u>5,274,152</u>
Total liabilities and fund balance	<u>\$ 5,293,474</u>	<u>\$ 115,368</u>	<u>\$ 47,642</u>	<u>\$ 5,456,484</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

VILLAGE OF LOVING

Reconciliation of Total Fund Balance from Balance Sheet Governmental Funds to the

Total Net Position on the Statement of Net Position

For the year ended June 30, 2016

Amounts reported for governmental activities in the statement of net position
are different because:

Fund balance - total governmental funds		\$ 5,274,152
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Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds

Capital assets	\$ 5,497,059	
Accumulated depreciation	<u>(2,529,252)</u>	2,967,807

Deferred outflows and inflows of resources related to pensions are applicable
to future periods and therefore, are not reported in the funds:

Deferred outflows of resources related to employer contribution subsequent to the measurement date	62,803	
Deferred outflows of resources related to actuarial to net pension liability	39,178	
Deferred inflows of resources related to actuarial experience	(8,288)	
Deferred inflows of resources related to change in assumption	(16,121)	
Deferred inflows of resources related to investment experience	<u>(2,255)</u>	75,317

Certain liabilities, including accrued compensated absences, bonds payable,
lease purchase notes and net pension liability, are not due and payable
in the current period and therefore are not reported in the funds

Accrued compensated absences		(53,288)
Loans and notes payable		(14,859)
Net pension liability		<u>(760,315)</u>

Net position of governmental activities		<u>\$ 7,488,814</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the year ended June 30, 2016

	General 101	Municipal Streets 216	Other Governmental Funds	Total Governmental Funds
Revenue				
Property tax	\$ 3,193	\$ -	\$ -	\$ 3,193
Franchise tax	27,678	-	-	27,678
Gross receipts tax muni	416,043	-	-	416,043
Gross receipts tax infrastructure	37,800	-	-	37,800
Gross receipts tax telecom	248	-	-	248
Gross receipts tax muni equivalent	3,026	-	-	3,026
Gas taxes	5,706	73,709	-	79,415
Charges for services	44	-	4,360	4,404
Interest	638	-	-	638
Licenses and fees	1,932	-	-	1,932
Fines and penalties	69,595	-	15,529	85,124
Rents	10,120	-	2,551	12,671
Other income	15,845	-	75	15,920
Emergency medical service grant	-	-	7,166	7,166
Fire allotment grant	-	-	73,960	73,960
Law enforcement protection fund grant	58,500	-	22,400	80,900
Local grants	8,574	-	-	8,574
Gross receipts taxes state shared	400,976	-	-	400,976
Small cities assistance	90,000	-	-	90,000
State grants	31,632	-	-	31,632
Legislative grant	59,050	-	-	59,050
Total revenues	1,240,600	73,709	126,041	1,440,350
Expenditures				
Current				
General government				
Elected officials	1,421	-	-	1,421
Legislative	72,425	-	-	72,425
Finance	234,440	-	-	234,440
Judicial	81,165	-	-	81,165
Public safety	538,130	-	78,968	617,098
Public works	338,833	42,753	-	381,586
Culture and recreation	11,643	-	-	11,643
Health and welfare	-	-	1,644	1,644
Capital outlay	489,395	8,283	37,733	535,411
Debt service				
Principal	2,461	-	-	2,461
Interest	-	-	-	-
Total expenditures	1,769,913	51,036	118,345	1,939,294
Excess (deficiency) of revenues over expenditures	(529,313)	22,673	7,696	(498,944)
Other financing sources (uses)				
Sale of capital asset	-	-	-	-
Operating transfers (net)	20,000	-	(20,000)	-
Total other financing sources (uses)	20,000	-	(20,000)	-
Net change in fund balances	(509,313)	22,673	(12,304)	(498,944)
Fund balances, beginning	5,621,610	86,709	59,946	5,768,265
Restatement	4,831	-	-	4,831
Fund balances, beginning restated	5,626,441	86,709	59,946	5,773,096
Fund balances, ending	\$ 5,117,128	\$ 109,382	\$ 47,642	\$ 5,274,152

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

VILLAGE OF LOVING

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (498,944)
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Capital outlays to purchase or build capital assets are reported in the 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. This is the amount by which depreciation exceeds capital outlays for the period.

Current year capital expenditures capitalized	535,411
Depreciation expense	(201,682)

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal payment	2,461
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Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds.

Governmental funds report town pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Compensated absences	358
Change in deferred inflows / outflows for net pension liability	<u>17,379</u>

Change in Net Position of Governmental Activities	<u>\$ (145,017)</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
General Fund - 101
Statement of Revenues, Expenditures, and Changes in Cash Balance
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Property tax	\$ 13,163	\$ 13,163	\$ 15,227	\$ 2,064
Franchise tax	27,800	27,800	29,841	2,041
Gross receipts tax muni	1,444,006	383,264	388,353	5,089
Gross receipts tax infrastructure	138,198	35,328	35,328	-
Gross receipts tax telecom	-	-	235	235
Gross receipts tax muni equivalent	-	-	2,837	2,837
Charges for services	40	40	44	4
Interest	-	-	638	638
Licenses and fees	1,575	1,575	2,583	1,008
Fines and penalties	105,072	105,072	69,595	(35,477)
Rents	6,600	6,600	10,120	3,520
Other income	-	-	15,845	15,845
Law enforcement protection fund grant	-	-	58,500	58,500
Local grants	-	-	8,574	8,574
Gross receipts taxes state shared	1,426,116	382,773	385,659	2,886
Small cities assistance	90,000	90,000	90,000	-
State grants	98,094	98,094	31,176	(66,918)
Legislative grant	-	-	59,050	59,050
Total revenue	3,350,664	1,143,709	1,203,605	59,896
Expenditures				
Current				
General government				
Elected officials	2,320	2,320	1,421	899
Legeslative	48,609	78,609	72,915	5,694
Finance	239,306	239,306	239,193	113
Judicial	91,965	91,965	82,709	9,256
Public safety	549,398	549,398	546,544	2,854
Public works	477,587	477,587	180,511	297,076
Culture and recreation	331,724	331,724	13,216	318,508
Capital outlay	490,000	490,000	489,395	605
Debt service				
Principal	2,500	2,500	2,461	39
Interest	-	-	-	-
Total expenditures	2,233,409	2,263,409	1,628,365	635,044
Excess (deficiency) revenues over (under) expenditures	1,117,255	(1,119,700)	(424,760)	694,940
Other financing sources (uses):				
Operating transfers net	20,000	20,000	20,000	-
Designated cash	-	1,099,700	-	(1,099,700)
Total other financing sources (uses)	20,000	1,119,700	20,000	(1,099,700)
Net change in cash balances	1,137,255	-	(404,760)	(404,760)
Cash balance, beginning	-	-	5,628,344	5,628,344
Prior period adjustment	-	-	4,831	4,831
Cash balance, beginning restated	-	-	5,633,175	5,633,175
Cash balance, ending	\$ 1,137,255	\$ -	\$ 5,228,415	\$ 5,228,415
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (404,760)	
Adjustment to revenues for accruals and other deferrals			36,995	
Adjustment to expenditures for payables, prepaids and other accruals			(141,548)	
Net change in fund balance (GAAP Basis)			\$ (509,313)	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Special Revenue Fund - Municipal Streets Fund - 216
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax muni	-	-	-	-
Gross receipts tax infrastructure	-	-	-	-
Gross receipts tax telecom	-	-	-	-
Gross receipts tax muni equivalent	-	-	-	-
Gas tax	59,736	59,736	73,460	13,724
Charges for services	-	-	-	-
Interest	-	-	-	-
Licenses and fees	-	-	-	-
Fines and penalties	-	-	-	-
Rents	-	-	-	-
Other income	-	-	-	-
Law enforcement protection fund grant	-	-	-	-
Local grants	-	-	-	-
Gross receipts taxes state shared	-	-	-	-
Small cities assistance	-	-	-	-
State grants	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	59,736	59,736	73,460	13,724
Expenditures				
Current				
General government				
Elected officials	-	-	-	-
Legeslative	-	-	-	-
Finance	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Public works	39,000	39,000	34,023	4,977
Culture and recreation	-	-	-	-
Capital outlay	12,000	12,000	11,027	973
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	51,000	51,000	45,050	5,950
Excess (deficiency) revenues over (under) expenditures	8,736	8,736	28,410	19,674
Other financing sources (uses)				
Operating transfers net	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	8,736	8,736	28,410	19,674
Cash balance, beginning	-	-	80,874	80,874
Restatement	-	-	-	-
Cash balance, beginning restated	-	-	80,874	80,874
Cash balance, ending	\$ 8,736	\$ 8,736	\$ 109,284	\$ 100,548
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 28,410	
Adjustment to revenues for accruals and other deferrals			249	
Adjustment to expenditures for payables, prepaids and other accruals			(5,986)	
Net change in fund balance (GAAP Basis)			\$ 22,673	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Proprietary Funds
Statement of Net Position
June 30, 2016

	Business-type Activities <u>Water Fund 501</u>	Business-type Activities <u>Solid Waste 502</u>	Business-type Activities <u>Totals</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 334,379	\$ 121,078	\$ 455,457
Accounts receivable taxes	-	3,013	3,013
Allowance for uncollectable accounts receivable	<u>39,657</u>	<u>7,327</u>	<u>46,984</u>
Total current assets	<u>374,036</u>	<u>131,418</u>	<u>505,454</u>
Noncurrent assets			
Restricted cash, customer meter deposits	49,372	-	49,372
Capital assets, being depreciated	7,897,277	281,749	8,179,026
Less: accumulated depreciation	<u>(2,820,435)</u>	<u>(105,840)</u>	<u>(2,926,275)</u>
Total noncurrent assets	<u>5,126,214</u>	<u>175,909</u>	<u>5,302,123</u>
Total assets	<u>\$ 5,500,250</u>	<u>\$ 307,327</u>	<u>\$ 5,807,577</u>
<u>LIABILITIES AND NET POSITION</u>			
Current liabilities			
Accounts payable	\$ 14,915	\$ 961	\$ 15,876
Accrued wages payable	5,318	2,112	7,430
Compensated absences	9,628	2,406	12,034
Current portion long-term debt	<u>6,594</u>	<u>-</u>	<u>6,594</u>
Total current liabilities	<u>36,455</u>	<u>5,479</u>	<u>41,934</u>
Noncurrent liabilities			
Customer meter deposits	40,203	-	40,203
Long-term debt	<u>112,056</u>	<u>-</u>	<u>112,056</u>
Total noncurrent liabilities	<u>152,259</u>	<u>-</u>	<u>112,056</u>
Total liabilities	188,714	5,479	194,193
Net position			
Net invested in capital assets	4,958,192	175,909	5,134,101
Unrestricted	<u>353,344</u>	<u>125,939</u>	<u>479,283</u>
Total net position	<u>5,311,536</u>	<u>301,848</u>	<u>5,613,384</u>
Total liabilities and net position	<u>\$ 5,500,250</u>	<u>\$ 307,327</u>	<u>\$ 5,807,577</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING

Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2016

	Business-type Activities <u>Water Fund 501</u>	Business-type Activities <u>Solid Waste 502</u>	Business-type Activities <u>Totals</u>
Operating revenues			
Sales and services	\$ 378,416	\$ 86,466	\$ 464,882
Total operating revenues	<u>378,416</u>	<u>86,466</u>	<u>464,882</u>
Operating expenses			
Public works	169,391	35,350	204,741
Personnel	169,527	77,062	246,589
Depreciation	167,168	16,493	183,661
Total operating expenses	<u>506,086</u>	<u>128,905</u>	<u>634,991</u>
Operating income (loss)	(127,670)	(42,439)	(170,109)
Non-operating revenues (expenses)			
Gross receipts tax environmental	-	21,841	21,841
Gas tax	7	-	7
Net meter deposits	-	-	-
Interest	21	-	21
Penalties	13,684	-	13,684
Install fees	14,544	-	14,544
Rent	2,600	-	2,600
Easement	85,385	-	85,385
State grant	9,679	-	9,679
Capital outlay	-	-	-
Note payment	-	-	-
Designated cash	-	-	-
Total non-operating revenue (expenses)	<u>125,920</u>	<u>21,841</u>	<u>147,761</u>
Net income (loss)	(1,750)	(20,598)	(22,348)
Operating transfers (net)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position - proprietary funds	(1,750)	(20,598)	(22,348)
Net position, beginning	5,312,926	322,446	5,635,372
Restatement	360	-	360
Net position, beginning restated	<u>5,313,286</u>	<u>322,446</u>	<u>5,635,732</u>
Net position, ending	<u>\$ 5,311,536</u>	<u>\$ 301,848</u>	<u>\$ 5,613,384</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Proprietary Funds
Statement of Cash Flows
For the year ended June 30, 2016

	Business-type Activities <u>Water Fund 501</u>	Business-type Activities <u>Solid Waste 502</u>	Business-type Activities <u>Totals</u>
Cash flows from operating activities			
Receipts from customers	\$ 373,769	\$ 86,474	\$ 460,243
Payments to suppliers and contractors	(162,985)	(37,597)	(200,582)
Payments to and on behalf of employees	<u>(165,077)</u>	<u>(74,583)</u>	<u>(239,660)</u>
Net cash provided (used) by operating activities	<u>45,707</u>	<u>(25,706)</u>	<u>20,001</u>
Cash flows from non capital financing activities			
Gross receipts tax environmental	-	18,923	18,923
Gas tax	7	-	7
Change in meter deposits	(97)	-	(97)
Interest income	21	-	21
Penalty income	13,684	-	13,684
Install fees	14,544	-	14,544
Rent	2,600	-	2,600
Easement	85,385	-	85,385
State grant	<u>9,679</u>	<u>-</u>	<u>9,679</u>
Net cash provided (used) by non capital financing activities	<u>125,823</u>	<u>18,923</u>	<u>144,746</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(197,605)	-	(197,605)
Long-term debt principal payment	<u>(4,236)</u>	<u>-</u>	<u>(4,236)</u>
Net cash provided (used) by capital and related financing activities	<u>(201,841)</u>	<u>-</u>	<u>(201,841)</u>
Net increase (decrease) in cash and cash equivalents	(30,311)	(6,783)	(37,094)
Cash and cash equivalents, beginning	413,702	127,861	541,563
Restatement	<u>360</u>	<u>-</u>	<u>360</u>
Cash and cash equivalents, beginning restated	<u>414,062</u>	<u>127,861</u>	<u>541,923</u>
Total cash and cash equivalents, ending	<u>\$ 383,751</u>	<u>\$ 121,078</u>	<u>\$ 504,829</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (127,670)	\$ (42,439)	\$ (170,109)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	167,168	16,493	183,661
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(4,647)	8	(4,639)
Increase (Decrease) in accounts payable	<u>10,856</u>	<u>232</u>	<u>11,088</u>
Net cash provided (used) by operating activities	<u>\$ 45,707</u>	<u>\$ (25,706)</u>	<u>\$ 20,001</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Agency Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 6,532
Total assets	<u>\$ 6,532</u>
<u>LIABILITIES</u>	
Deposits held for others	\$ 6,532
Total liabilities	<u>\$ 6,532</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

This summary of significant accounting policies of the Village of Loving (the Village) is presented to assist in the understanding of the Village's financial statements. The financial statements and notes are the representation of the Village's management who is responsible for their integrity and objectivity. The financial statements of the Village have 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 financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The Village is a political subdivision of the state of New Mexico and was incorporated under provisions of Chapter 3, Article 2, NMSA 1978 as amended. The Village operates under the mayor-trustee form of government. The Village provides the following authorized services: public safety, police and fire, highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, and general administrative services. The Village's basic financial statements include all activities and accounts of the Village's *financial reporting entity*.

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, there are no component units of the Village. The Village is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2016.

B. Government-Wide Financial Statements

The basic financial statements include both government-wide (based on the Village as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity 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 on a significant extent on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, interest income, etc.). The Village does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The Village's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, the assets are being held for the benefit of a third party, and cannot be used to address activities or obligations of the municipality; these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which 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 as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Village considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property, franchise, sales and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the Village's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Village except for items included in other funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to The Financial Statements
June 30, 2016

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the Village is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund and the Fire Protection Fund. No other funds were required to be presented as major at the discretion of management.

General Fund

The Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

Municipal Streets Fund Special Revenue Fund

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

The government reports its Water Fund and Solid Waste Fund (Proprietary funds) as major business-type funds. Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities

Program revenues reduce the cost of the function to be financed from the Village's general revenues. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Village does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified function and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the Village's enterprise fund is charges for services for the Village's garbage, water & sewer utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Village; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

D. Assets, Liabilities, and Net Position or Equity

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.

STATE OF NEW MEXICO
 VILLAGE OF LOVING
 Notes to The Financial Statements
 June 30, 2016

State statutes authorize the Village to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Village are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted Assets:

Restricted assets are those held in trust for others.

Receivables and Payables:

Inter-fund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

Inventory:

The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed.

Capital Assets:

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

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

Deferred Outflows of Resources:

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time.

Deferred Inflows of Resources:

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

Pensions – Deferred Inflows and Deferred Outflows of Resources

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when the payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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.

Long-term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

Implementation of New Accounting Standards

During the year ended June 30, 2016, the Village adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 72 – Fair Value Measurement and Application. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The statement will not have a material impact on the Village's financial statements.

GASB No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement will not have a material impact on the Village's financial statements.

Fund Balance: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent: The following classifications may be used:

Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Village Board of Trustees should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the Village's Board of Trustees removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Trustees or the Finance Committee. The Village did not have assigned fund balances for the year ended June 30, 2016.

Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds, other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the Village's policy to use committed first followed by assigned and unassigned resources as they are needed.

Net Position and Fund Equity:

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets:

Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position:

Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

Unrestricted Net Position:

All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

Inter-fund Transactions:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Village's financials include management's estimate of the useful lives of capital assets.

Tax Revenues:

The Village receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The Village recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The Village records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements.

Note 2 Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the Village are prepared prior to June 1 and must be approved by Village Council resolution, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Village Council and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, and Special Revenue Funds. The Village is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Village Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Cash Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016, is presented.

The appropriated budget for the year ended June 30, 2016, was properly amended by the Village Council throughout the year.

Note 3 Deposits and Investments

State statutes authorize the investment of the Village funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States government obligations. All invested funds of the Village properly followed State investment requirements as of June 30, 2016.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Village. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case, shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Village for at least one half the amount in excess of FDIC coverage on deposit with the institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Village's deposits.

	Western Commerce Bank Carlsbad, NM	Type
Total amount on deposit on June 30, 2016		
Village of Loving General Fund	\$ 5,184,046	Checking Non-Interest
Loving Joint Water	341,522	Checking Non-Interest
Village of Loving Solid Waste Disposal	117,242	Checking Non-Interest
Loving Water Deposits	40,667	Checking Non-Interest
Village of Loving Fire Fund	2,400	Checking Non-Interest
Loving Cemetery Fund	14,564	Checking Non-Interest
Motor Vehicle Division Village of Loving	1,318	Checking Non-Interest
Loving Municipal Court	4,470	Checking Non-Interest
Shop With A Cop	2,062	Checking Non-Interest
Village of Loving CD ****164	180,914	Savings - Interest
Village of Loving Baseball Field Lights ****157	4,468	Savings - Interest
Village of Loving Water Loan Reserve	9,170	Savings - Interest
Total deposited	<u>5,902,843</u>	
Less FDIC coverage	<u>(444,552)</u>	
Total uninsured public funds	<u>5,458,291</u>	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	<u>2,729,146</u>	
Pledged securities	<u>2,862,634</u>	
Over (under)	<u>\$ 133,488</u>	

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Pledged Collateral:

Description	CUSIP#	Maturity Date	Market Value	Location
FHLMC #781142	31349SHT3	1/1/2034	\$ 51,081	FHLB, Dallas TX
GNMA #8919	36202K4C6	2/20/2022	32,652	FHLB, Dallas TX
FHLMC #738717	31402UVJ8	8/1/2033	99,598	FHLB, Dallas TX
FHLMC #254587	31371KXQ9	12/1/2022	63,026	FHLB, Dallas TX
FNMA #918314	31411YGX5	4/1/1937	174,944	FHLB, Dallas TX
FHLMC #MA0299	3147YKM8	1/1/1930	131,845	FHLB, Dallas TX
FHLMC #879518	31409VDX8	3/1/1936	93,886	FHLB, Dallas TX
FHLMC #745525	31403DHA0	3/1/2036	104,971	FHLB, Dallas TX
FHLMC #690595	31400LGC2	10/1/1933	343,147	FHLB, Dallas TX
FHLMC #E01425	31294KSN6	8/1/2018	46,464	FHLB, Dallas TX
GNMA #008996	36202K7H2	6/20/2022	52,377	FHLB, Dallas TX
GNMA #080946	36225DBQ6	6/20/1934	99,403	FHLB, Dallas TX
SBAP Series 2011	83162CUL5	12/1/1931	333,983	FHLB, Dallas TX
SBAP Series 2004	83162CPD9	11/1/2024	152,809	FHLB, Dallas TX
FNMA #AL2284	3138EJRE0	9/1/2027	739,636	FHLB, Dallas TX
SBAP Series 2012	83162CUP6	2/1/1932	342,812	FHLB, Dallas TX
			<u>\$ 2,862,634</u>	

Custodial Credit Risk

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, 2016, \$2,595,657 of the Village's bank balance of \$5,902,843 was exposed to custodial credit risk.

Custodial Credit Risk Deposits

Account Balance	\$ 5,902,843
FDIC Insurance	444,552
Collateral:	
Collateral held by the pledging bank, not in the District's name	2,862,634
Uninsured and uncollateralized	<u>2,595,657</u>
Total Deposits	<u>\$ 5,902,843</u>

Note 4 Receivables

Receivables as of June 30, 2016, are as follows:

Governmental Activities	General Fund	Non Major	Totals
Accounts receivable taxes			
Property Tax	\$ 315	\$ -	\$
GRT Municipal	27,690	-	
GRT Infrastructure	2,472	-	
GRT State Shared	27,096	-	
GRT Inter State Telecom	13	-	
GRT Municipal Equivalent	189	-	
Gas Tax	5,706	6,084	
Franchise Tax	1,122	-	
MVD	456	-	
Total accounts receivable taxes			71,143
Accounts receivable other		607	607
Totals	<u>\$ 65,059</u>	<u>\$ 6,691</u>	<u>\$ 71,750</u>

The above accounts receivable taxes and accounts receivable from grantor are deemed 100% collectible.

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Business-type Activities	Water Fund	Solid Waste Fund	Totals
Accounts receivable taxes			
Environmental GRT	\$ -	\$ 3,013	\$ 3,013
Total accounts receivable tax	<u>\$ -</u>	<u>\$ 3,013</u>	<u>\$ 3,013</u>
Receivable from customers	\$ 57,890	\$ 8,137	\$ 66,027
Less allowance for uncollectible	<u>(18,233)</u>	<u>(810)</u>	<u>(19,043)</u>
Total receivables from customers	<u>\$ 39,657</u>	<u>\$ 7,327</u>	<u>\$ 46,984</u>

Note 5 Interfund Receivables, Payables, and Transfers

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Permanent transfers for the year ended June 30, 2016 are listed below:

	Transfer In	Transfer Out
General	\$ 20,000	\$ -
Correction	-	(20,000)
Totals	<u>\$ 20,000</u>	<u>\$ (20,000)</u>

Note 6 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows.

Governmental activities:	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Capital assets not being depreciated				
Land	\$ 18,720	\$ -	\$ -	\$ 18,720
CNP	-	117,728	-	117,728
Capital assets being depreciated				
Buildings and improvements	3,802,625	-	-	3,802,625
Equipment	1,140,303	417,683	-	1,557,986
Total assets	<u>4,961,648</u>	<u>535,411</u>	<u>-</u>	<u>5,497,059</u>
Less accumulated depreciation				
Buildings and improvements	(1,585,670)	(101,274)	-	(1,686,944)
Equipment	(741,900)	(100,408)	-	(842,308)
Total accumulated depreciation	<u>(2,327,570)</u>	<u>(201,682)</u>	<u>-</u>	<u>(2,529,252)</u>
Governmental activity capital assets, net	<u>\$ 2,634,078</u>	<u>\$ 333,729</u>	<u>\$ -</u>	<u>\$ 2,967,807</u>

Capital assets, net of accumulated depreciation, at June 30, 2016 appear in the Statement of Net Position as follows: Governmental activities \$ 2,967,807.

Depreciation expense for the year ended June 30, 2016 was charged to the following governmental activities functions.

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General	\$	9,560
Public safety		72,663
Public works		68,753
Culture and Recreation		50,706
		<u>201,682</u>

Business-Type Activities

Business-type activities:	Beginning		Adjustments/	Ending
Water and Sewer	Balances	Increase	Decrease	Balances
Capital assets not being depreciated				
Land	\$ 9,992	\$ -	\$ -	\$ 9,992
CNP	-	261,031	-	261,031
Capital assets being depreciated				
Buildings	24,737	-	-	24,737
Water System	7,384,737	-	(35,301)	7,349,436
Equipment	216,780	-	35,301	252,081
Total assets	<u>7,636,246</u>	<u>261,031</u>	<u>-</u>	<u>7,897,277</u>
Less accumulated depreciation				
Buildings	(24,052)	(618)	-	(24,670)
Water System	(2,504,079)	(163,073)	-	(2,667,152)
Equipment	(125,136)	(3,477)	-	(128,613)
Total accumulated depreciation	<u>(2,653,267)</u>	<u>(167,168)</u>	<u>-</u>	<u>(2,820,435)</u>
Business-type activity capital assets, net	<u>\$ 4,982,979</u>	<u>\$ 93,863</u>	<u>\$ -</u>	<u>\$ 5,076,842</u>
Business-type activities:	Beginning		Adjustments/	Ending
Solid Waste	Balances	Increase	Decrease	Balances
Capital assets being depreciated				
Equipment	\$ 281,749	\$ -	\$ -	\$ 281,749
Total assets	<u>281,749</u>	<u>-</u>	<u>-</u>	<u>281,749</u>
Less accumulated depreciation				
Equipment	(89,347)	(16,493)	-	(105,840)
Total accumulated depreciation	<u>(89,347)</u>	<u>(16,493)</u>	<u>-</u>	<u>(105,840)</u>
Business-type activity capital assets, net	<u>\$ 192,402</u>	<u>\$ (16,493)</u>	<u>\$ -</u>	<u>\$ 175,909</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2016 totaled \$183,661.

Note 7 Risk Management

The Village is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions, employee injuries and illnesses, and natural disasters. The Town participates in the New Mexico Self-Insurers' Fund risk pool. The Town is also covered by insurance through the Insurance Services of New Mexico.

The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage.

The standard premium for the Workers' Compensation policy is subject to an audit that normally increases or decreases the premium per the actual payroll expense upon which the premium had been estimated.

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 8 Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements

Overview of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds.
None
- B. Expenditures exceeded appropriations by fund.
None
- C. Excess expenditures over budget.
The Village did not reported expenditures in excess of budget at the function level at June 30, 2016,

Note 9 Long-term Debts

Governmental Activities

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government wide statement of net position:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
NMFA Note payable	\$ 17,320	\$ -	\$ (2,461)	14,859	\$ 2,461
Compensated absences	53,646	14,929	(15,287)	53,288	53,288

In prior years, the General Fund has typically liquidated the compensated absences and the New Mexico Finance Authority note.

Note Payable

The Village entered into a loan agreement with the 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. The interest rate is 0% with an administration fee of .25%. The general fund makes the payments.

The annual requirement to amortize the loan as of June 30, 2016, including interest and administration fees is as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 2,461	\$ -	\$ 2,461
2018	2,461	-	2,461
2019	2,461	-	2,461
2020	2,461	-	2,461
2021	2,461	-	2,461
2022	2,554	-	2,554
	<u>\$ 14,859</u>	<u>\$ -</u>	<u>\$ 14,859</u>

Business-type Activities

During the year ended June 30, 2016, the following changes occurred in the compensated absences liabilities reported in the government wide statement of net position:

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	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-type Activities					
NMFA Colonias	\$ 59,460	\$ -	\$ (3,304)	56,156	\$ 3,304
NMFA Colonias	-	63,426	(932)	62,494	3,290
	<u>\$ 59,460</u>	<u>\$ 63,426</u>	<u>\$ (4,236)</u>	<u>\$ 118,650</u>	<u>\$ 6,594</u>
Compensated absences	\$ 8,394	\$ 6,136	\$ (2,496)	\$ 12,034	\$ 12,034

The Village entered a loan agreement with the New Mexico Finance Authority for improvements to the water system. The original amount of the loan was \$62,764 with annual installments due annually on May 1. The interest rate is 0% with no administration fee. The utility fund makes the payments.

The annual requirement to amortize the loan as of June 30, 2016, including interest and administration fees is as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 3,304	\$ -	\$ 3,304
2018	3,304	-	3,304
2019	3,304	-	3,304
2020	3,304	-	3,304
2021	3,304	-	3,304
2022-2026	16,520	-	16,520
2027-2031	16,520	-	16,520
2032-2033	6,596	-	6,596
	<u>\$ 56,156</u>	<u>\$ -</u>	<u>\$ 56,156</u>

The Village entered a loan agreement with the New Mexico Finance Authority for improvements to the water system. The original amount of the loan was \$63,426 with annual installments due annually on May 1. The interest rate is 0% with no administration fee. The utility fund makes the payments.

The annual requirement to amortize the loan as of June 30, 2016, including interest and administration fees is as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 3,290	\$ -	\$ 3,290
2018	3,290	-	3,290
2019	3,289	-	3,289
2020	3,289	-	3,289
2021	3,289	-	3,289
2022-2026	16,445	-	16,445
2027-2031	16,445	-	16,445
2032-2035	13,157	-	13,157
	<u>\$ 62,494</u>	<u>\$ -</u>	<u>\$ 62,494</u>

Note 10 Public Employees Retirement Association (PERA) Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

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PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://www.saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015, available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf

Contributions – The contribution requirements of defined benefit plan members and the Village are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf

The PERA coverage options that applies to Village are The Municipal General Division and the Municipal Police Division. Statutorily required contributions to the pension plan from the Village were \$33,601 for the Municipal General Division and \$29,202 for the Municipal Police Division for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement dated June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Municipal General Division

For the PERA Municipal General Division, at June 30, 2016, the Village reported a liability of \$374,188 for its proportionate share of the net pension liability. At June 30, 2015, the Village's proportion was 0.0367%, which decreased from its proportion of 0.0372% measured as of June 30, 2014.

For the PERA Municipal Police Division, at June 30, 2016, the Village reported a liability of \$386,127 for its proportionate share of the net pension liability. At June 30, 2015, the Village's proportion was 0.0803%, which increased from its proportion of 0.0754% measured as of June 30, 2014.

For the year ended June 30, 2016, the Village recognized PERA Municipal General Division pension expense of \$13,397. At June 30, 2016, the Village reported PERA Fund Division deferred outflows of resources and deferred inflows of resources of \$33,601 and \$9,618 respectively, related to pensions from the following sources:

For the year ended June 30, 2016, the Village recognized PERA Municipal Police Division pension expense of \$3,576. At June 30, 2016, the Village reported PERA Fund Division deferred outflows of resources and deferred inflows of resources of \$68,380 and \$17,046, respectively, related to pensions from the following sources:

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Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 8,288
Change in assumptions	-	146
Net difference between projected and actual earnings on plan investments	-	1,184
Change in proportion and difference between District contribution and proportionate share of contributions	-	-
District's contribution subsequent to the measurement date	33,601	-
Totals	\$ 33,601	\$ 9,618

Municipal Police Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 39,178	\$ -
Change in assumptions	-	15,975
Net difference between projected and actual earnings on plan investments	-	1,071
Change in proportion and difference between District contribution and proportionate share of contributions	-	-
District's contribution subsequent to the measurement date	29,202	-
Totals	\$ 68,380	\$ 17,046

\$33,601 and \$29,202 reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Municipal General Division	Municipal Police Division
2017	\$ (9,911)	\$ (3,288)
2018	(9,911)	(3,288)
2019	(9,911)	(3,288)
2020	20,114	19,798
Total	\$ (9,619)	\$ 9,934

Actuarial assumptions – As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014, for each of the membership groups. Then each PERA Fund member group pension liability was rolled from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. There were not significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015, actuarial valuation.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to The Financial Statements
June 30, 2016

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Lever percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increase	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirees, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
Experience study date	July 1, 2008 to June 30, 2013

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On that basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Village’s proportionate share of the net pension liability to changes in the discount rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Village’s net pension liability in each PERA fund division that Village participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

Proportionate share of the net pension liability	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Municipal General Division	\$ 637,094	\$ 374,188	\$ 155,600
Municipal Police Division	\$ 637,666	\$ 386,127	\$ 179,780

Pension plan fiduciary net position – Detailed information about the pension’s fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at:
<http://www.pera.state.nm.us/publications.html>.

Note 11 Post-Employment Benefits – State Retiree Health Care Plan

The Village of Loving does not participate in the State of New Mexico Retiree Health Care plan.

Note 12 Contingent Liabilities

In the normal course of operations, the Village receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 13 Subsequent Review

The Village has evaluated subsequent events through December 8, 2016 which is the date the financial statements were available for issuance.

Note 14 Joint Powers Agreements

The Village entered 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 EMRD 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 15 Restatement

Fund Balance

General Fund

Fund Balance beginning	\$ 5,621,610
Cash	4,831
	<hr/>
Fund Balance beginning restated	<u>\$ 5,626,441</u>

Net Position

Governmental types

Net Position beginning	\$ 7,646,320
Cash	4,831
Note payable	<u>(17,320)</u>
Net Position restated	<u>\$ 7,633,831</u>

Business-type Activities

Net Position beginning	\$ 5,635,372
Cash	360
	<hr/>
Net Position restated	<u>\$ 5,635,732</u>

Required Supplementary Information

STATE OF NEW MEXICO
 VILLAGE OF LOVING
 Schedule of Proportionate Share of the Net Pension Liability
 Public Employee Retirement Association (PERA) Pension Plan
 Last 10 Fiscal Years*

Schedule A-1

	<u>2015</u>	<u>2016</u>
The Villages proportion of the net pension liability (asset)	0.1126%	0.1170%
The Village's proportionate share of the net pension liability (asset)	\$ 535,985	\$ 760,315
The Village's covered-employee payroll	\$ 639,517	\$ 515,903
The Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	83.81%	147.38%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Village will present information for those years for which information is available.

STATE OF NEW MEXICO
 VILLAGE OF LOVING
 Schedule of Contributions
 Public Employee Retirement Association (PERA) Pension Plan
 Last 10 Fiscal Years*

Schedule A-2

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 58,704	\$ 62,803
Contributions in relation to the contractually required contribution	<u>58,704</u>	<u>62,803</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
The District's covered-employee payroll	\$ 639,517	\$ 515,903
Contributions as a percentage of covered-employee payroll	9.18%	12.17%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Village will present information for those years for which information is available.

Note: Employee contributions are not included in this schedule.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to Required Supplementary Information
June 30, 2016

Changes in Benefit Terms

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of Assumptions

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015, report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf.

Supplementary Information Related to NonMajor Governmental Funds

**Non-Major
Special Revenue Funds**

Correction Fund

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 29-13-01 NMSA 1978

Emergency Medical Services Fund

The EMS fund accounts for the state emergency medical services grant, to be used for specific medical services provided through fire department activities. The municipality also accounts for all ambulance revenues for services provided. This state grant comes through the New Mexico Department of Health per EMS regulation DOH 94-11. The fund was created by local ordinance. Section 24-10A-1 to 24-10A-10, NMSA 1978 provides funds to municipalities for use in the establishment and enhancement of local emergency medical services. Section 24-10A-7, NMSA 1978 restricts expenditures from the fund from only emergency medical services.

Fire Protection Fund

Accounts for the operation and maintenance of the Village Fire Department. Financing is primarily from an annual fire allotment. The fund was created by the authority of the state grant provision NMSA 59A-53-1.

Law Enforcement Protection Fund

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

Cemetery Fund

Accounts for funds received from sale of lots and donations for maintaining a community cemetery. The fund was established by local ordinance authorized by Section 3-40-1, NMSA 1978.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Correction 201	Emergency Medical Service 206	Fire Protection 209	Law Enforcement Protection 211	Cemetery 600	Totals
ASSETS						
Cash in banks	\$ 27,688	\$ 2,383	\$ 2,400	\$ -	\$ 14,564	\$ 47,035
New Mexico Finance Authority						
Cash state treasury debt service	-	-	-	-	-	-
Accounts receivable other	-	-	-	-	607	607
Total assets	\$ 27,688	\$ 2,383	\$ 2,400	\$ -	\$ 15,171	\$ 47,642
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-
FUND BALANCE						
Restricted for						
Special revenue funds	27,688	2,383	2,400	-	15,171	47,642
Total fund balance	27,688	2,383	2,400	-	15,171	47,642
Total liabilities and fund balance	\$ 27,688	\$ 2,383	\$ 2,400	\$ -	\$ 15,171	\$ 47,642

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2016

	Correction 201	Emergency Medical Service 206	Fire Protection 209	Law Enforcement Protection 211	Cemetery 600	Totals
Revenues						
Gas tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-
Rents	-	-	-	-	2,551	2,551
Charges for services	-	-	-	-	4,360	4,360
Fines and penalties	15,529	-	-	-	-	15,529
Other	-	75	-	-	-	75
Local grants	-	-	-	-	-	-
Emergency medical service grant	-	7,166	-	-	-	7,166
Law enforcement protection fund grant	-	-	-	22,400	-	22,400
Fire allotment grant	-	-	73,960	-	-	73,960
State grants	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-
Total revenues	15,529	7,241	73,960	22,400	6,911	126,041
Expenditures						
Current						
General government						
Finance	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	8,294	70,674	-	-	78,968
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Health and welfare	-	-	-	-	1,644	1,644
Capital outlay	-	-	-	22,400	15,333	37,733
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	8,294	70,674	22,400	16,977	118,345
Excess (deficiency) of revenues over expenditures	15,529	(1,053)	3,286	-	(10,066)	7,696
Other financing sources (uses)						
Operating transfers (net)	(20,000)	-	-	-	-	(20,000)
New Mexico Finance Authority loan	-	-	-	-	-	-
Total other financing sources (uses)	(20,000)	-	-	-	-	(20,000)
Net change in fund balances	(4,471)	(1,053)	3,286	-	(10,066)	(12,304)
Fund balances, beginning	32,159	3,436	(886)	-	25,237	59,946
Restatement	-	-	-	-	-	-
Fund balances, beginning restated	32,159	3,436	(886)	-	25,237	59,946
Fund balances, ending	\$ 27,688	\$ 2,383	\$ 2,400	\$ -	\$ 15,171	\$ 47,642

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Special Revenue Fund - Correction Fund - 201
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Gas tax	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Rents	-	-	-	-
Charges for services	-	-	-	-
Fines and penalties	20,820	20,820	15,529	(5,291)
Other	-	-	-	-
Local grants	-	-	-	-
Emergency medical service grant	-	-	-	-
Law enforcement protection fund grant	-	-	-	-
Fire allotment grant	-	-	-	-
State grants	-	-	-	-
Federal grants	-	-	-	-
Total revenues	<u>20,820</u>	<u>20,820</u>	<u>15,529</u>	<u>(5,291)</u>
Expenditures				
Current				
General government				
Finance	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) revenues over (under) expenditures	20,820	20,820	15,529	(5,291)
Other financing sources (uses)				
Operating transfers (net)	(20,000)	(20,000)	(20,000)	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in cash balances	820	820	(4,471)	(5,291)
Cash balance, beginning	-	-	32,159	32,159
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	<u>-</u>	<u>-</u>	<u>32,159</u>	<u>32,159</u>
Cash balance, ending	<u>\$ 820</u>	<u>\$ 820</u>	<u>\$ 27,688</u>	<u>\$ 26,868</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (4,471)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (4,471)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Special Revenue Fund - Emergency Medical Service Fund - 206
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Gas tax	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Rents	-	-	-	-
Charges for services	-	-	-	-
Fines and penalties	-	-	-	-
Other	-	-	75	75
Local grants	-	-	-	-
Emergency medical service grant	7,950	7,950	7,166	(784)
Law enforcement protection fund grant	-	-	-	-
Fire allotment grant	-	-	-	-
State grants	-	-	-	-
Federal grants	-	-	-	-
Total revenues	<u>7,950</u>	<u>7,950</u>	<u>7,241</u>	<u>(709)</u>
Expenditures				
Current				
General government	-	-	-	-
Finance	-	-	-	-
Judicial	-	-	-	-
Public safety	11,385	11,385	8,294	3,091
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>11,385</u>	<u>11,385</u>	<u>8,294</u>	<u>3,091</u>
Excess (deficiency) revenues over (under) expenditures	(3,435)	(3,435)	(1,053)	2,382
Other financing sources (uses)				
Operating transfers net	-	-	-	-
Designated cash	3,435	3,435	-	(3,435)
Total other financing sources (uses)	<u>3,435</u>	<u>3,435</u>	<u>-</u>	<u>(3,435)</u>
Net change in cash balances	-	-	(1,053)	(1,053)
Cash balance, beginning	-	-	3,436	3,436
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,383</u>	<u>\$ 2,383</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,053)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (1,053)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Special Revenue Fund - Fire Protection Fund - 209
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Gross receipts tax muni	-	-	-	-
Gas tax	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
Licenses and fees	-	-	-	-
Fines and penalties	-	-	-	-
Rents	-	-	-	-
Law enforcement protection fund grant	-	-	-	-
Local grants	-	-	-	-
Fire allotment grant	73,960	73,960	73,960	-
State grants	-	-	-	-
Legislative grant	-	-	-	-
Total revenues	73,960	73,960	73,960	-
Expenditures				
Current				
General government				
Finance	-	-	-	-
Judicial	-	-	-	-
Public safety	75,990	75,990	73,590	2,400
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	75,990	75,990	73,590	2,400
Excess (deficiency) revenues over (under) expenditures	(2,030)	(2,030)	370	2,400
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	2,030	2,030	-	(2,030)
Total other financing sources (uses)	2,030	2,030	-	(2,030)
Net change in cash balances	-	-	370	370
Cash balance, beginning	-	-	2,030	2,030
Cash balance, ending	\$ -	\$ -	\$ 2,400	\$ 2,400
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 370	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			2,916	
Net change in fund balance (GAAP Basis)			\$ 3,286	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Special Revenue Fund - Law Enforcement Protection Fund - 211
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Gas tax	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Rents	-	-	-	-
Charges for services	-	-	-	-
Fines and penalties	-	-	-	-
Other	-	-	-	-
Local grants	-	-	-	-
Emergency medical service grant	-	-	-	-
Law enforcement protection fund grant	22,400	22,400	22,400	-
Fire allotment grant	-	-	-	-
State grants	-	-	-	-
Federal grants	-	-	-	-
Total revenues	22,400	22,400	22,400	-
Expenditures				
Current				
General government				
Finance	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	22,400	22,400	22,400	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	22,400	22,400	22,400	-
Excess (deficiency) revenues over (under) expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers net	-	-	-	-
Sale of capital asset	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	-	-	-	-
Cash balance, beginning	-	-	-	-
Cash balance, ending	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ -	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Special Revenue Fund - Cemetery Fund - 299
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Gas tax	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Rents	4,925	4,925	4,360	(565)
Charges for services	2,750	2,750	2,483	(267)
Fines and penalties	-	-	-	-
Other	-	-	-	-
Local grants	-	-	-	-
Emergency medical service grant	-	-	-	-
Law enforcement protection fund grant	-	-	-	-
Fire allotment grant	-	-	-	-
State grants	-	-	-	-
Federal grants	-	-	-	-
Total revenues	<u>7,675</u>	<u>7,675</u>	<u>6,843</u>	<u>(832)</u>
Expenditures				
Current				
General government				
Finance	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	1,692	1,692	1,688	4
Capital outlay	15,333	15,333	15,333	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>17,025</u>	<u>17,025</u>	<u>17,021</u>	<u>4</u>
Excess (deficiency) revenues over (under) expenditures	(9,350)	(9,350)	(10,178)	(828)
Other financing sources (uses)				
Operating transfers net	-	-	-	-
Designated cash	9,350	9,350	-	(9,350)
Total other financing sources (uses)	<u>9,350</u>	<u>9,350</u>	<u>-</u>	<u>(9,350)</u>
Net change in cash balances	-	-	(10,178)	(10,178)
Cash balance, beginning	-	-	24,742	24,742
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,564</u>	<u>\$ 14,564</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (10,178)	
Adjustment to revenues for accruals and other deferrals			68	
Adjustment to expenditures for payables, prepaids and other accruals			44	
Net change in fund balance (GAAP Basis)			<u>\$ (10,066)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Enterprise Fund - Water Fund - 501
Statement of Revenues, Expenses, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for services	\$ 364,967	\$ 364,967	\$ 373,769	\$ 8,802
Total revenues	364,967	364,967	373,769	8,802
Expenses				
Current				
Public works	177,208	350,788	162,985	187,803
Personal	165,100	165,100	165,077	23
Total expenses	342,308	515,888	328,062	187,826
Excess (deficiency) revenues over (under) expenses	22,659	(150,921)	45,707	196,628
Other financing sources (uses)				
Gross receipts tax environmental	-	-	-	-
Gas tax	-	-	7	(7)
Net meter deposits	(100)	(100)	(97)	3
Interest	-	-	21	21
Penalties	-	-	13,684	13,684
Install fees	-	-	14,544	(14,544)
Rent	-	2,600	2,600	-
Easement	38,651	85,436	85,385	51
State grant	-	-	9,679	(9,679)
Capital outlay	(197,605)	(197,605)	(197,605)	-
Note payment	(3,304)	(4,236)	(4,236)	-
Operating transfers (net)	-	-	-	-
Designated cash	139,699	264,826	-	(264,826)
Total other financing sources (uses)	(22,659)	150,921	(76,018)	(226,939)
Net change in cash balances	-	-	(30,311)	(30,311)
Cash balance, beginning	-	-	413,702	(413,702)
Prior period adjustment	-	-	360	360
Cash balance, beginning	-	-	414,062	414,062
Cash balance, ending	\$ -	\$ -	\$ 383,751	\$ 383,751
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (30,311)	
Adjustment to revenues for accruals and other deferrals			4,647	
Adjustment to expenditures for payables, prepaids and other accruals			23,914	
Net change in fund balance (GAAP Basis)			\$ (1,750)	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
VILLAGE OF LOVING
Enterprise Fund - Solid Waste Fund - 502
Statement of Revenues, Expenses, and Changes in Cash Balance
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for services	\$ 87,800	\$ 87,800	\$ 86,474	\$ (1,326)
Total revenues	87,800	87,800	86,474	(1,326)
Expenses				
Current				
Public works	38,813	38,813	37,597	1,216
Personal	74,600	74,600	74,583	17
Total expenses	113,413	113,413	112,180	1,233
Excess (deficiency) revenues over (under) expenses	(25,613)	(25,613)	(25,706)	(93)
Other financing sources (uses)				
Gross receipts tax environmental	70,602	18,924	18,923	(1)
Gas tax	-	-	-	-
Net meter deposits	-	-	-	-
Interest	-	-	-	-
Penalties	-	-	-	-
Install fees	-	-	-	-
Rent	-	-	-	-
Easement	-	-	-	-
State grant	-	-	-	-
Capital outlay	-	-	-	-
Note payment	-	-	-	-
Operating transfers (net)	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	70,602	18,924	18,923	(1)
Net change in cash balances	44,989	(6,689)	(6,783)	(94)
Cash balance, beginning	-	-	127,861	127,861
Cash balance, ending	\$ -	\$ -	\$ 121,078	\$ 121,078
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (6,783)	
Adjustment to revenues for accruals and other deferrals			(8)	
Adjustment to expenditures for payables, prepaids and other accruals			(13,807)	
Net change in fund balance (GAAP Basis)			\$ (20,598)	

The accompanying notes are an integral part of these financial statements.

Supplementary Information Related to Agency Funds

Agency Funds

Activity Trust Fund

To account for funds collected on behalf of the State of New Mexico that is custodial in nature.

STATE OF NEW MEXICO
 VILLAGE OF LOVING
 Agency Fund
 Statement of Changes in Assets and Liabilities
 June 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>ASSETS</u>				
Municipal court fund	\$ 4,470	\$ -	\$ -	\$ 4,470
Shop with a cop fund	<u>2,062</u>	<u>-</u>	<u>-</u>	<u>2,062</u>
Total assets	<u>\$ 6,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,532</u>
 <u>LIABILITIES</u>				
Funds handled on behalf of others	<u>\$ 6,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,532</u>
Total liabilities	<u>\$ 6,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,532</u>

The accompanying notes are an integral part of these financial statements.

Other Supplemental Information

STATE OF NEW MEXICO
Village of Loving
Schedule of Bank Depositories
For the year ended June 30, 2016

Schedule II

Bank Name	Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Western Commerce Bank						
Governmental Activities						
	General Fund	1	\$ 5,184,046	\$ 1,492	\$ (8,699)	\$ 5,176,839
	General Fund	3	180,914	-	-	180,914
	General Fund	3	4,468	-	-	4,468
	Motor Vehicle Division	1	1,318	222	(387)	1,153
	Fire Fund	1	2,400	-	-	2,400
	Cemetery Fund	1	14,564	-	-	14,564
	Total		<u>5,387,710</u>	<u>1,714</u>	<u>(9,086)</u>	<u>5,380,338</u>
Business-type Activities						
	Joint Water	1	341,522	-	(7,144)	334,378
	Solid Waste Disposal	1	117,242	3,942	(106)	121,078
	Water Deposits	1	40,667	350	(814)	40,203
	Water Loan Reserve	2	9,170	-	-	9,170
	Total		<u>508,601</u>	<u>4,292</u>	<u>(8,064)</u>	<u>504,829</u>
Agency Fund						
	Municipal Court	1	4,470	-	-	4,470
	Shop With a Cop	1	2,062	-	-	2,062
	Total		<u>6,532</u>	<u>-</u>	<u>-</u>	<u>6,532</u>
	Total Western Commerce Bank		<u>5,902,843</u>	<u>6,006</u>	<u>(17,150)</u>	<u>5,891,699</u>
New Mexico Finance Authority						
	State Treasurer D/S	4	4,396	-	-	4,396
	Total New Mexico Finance Authority		<u>4,396</u>	<u>-</u>	<u>-</u>	<u>4,396</u>
	Total All Accounts		<u>\$ 5,907,239</u>	<u>\$ 6,006</u>	<u>\$ (17,150)</u>	<u>\$ 5,896,095</u>

- 1 Checking Account
- 2 Savings Account
- 3 Certificate Of Deposit
- 4 Trustee Account

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 VILLAGE OF LOVING
 Vendor Schedule
 For the Year Ended June 30, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
6114	Village of Loving	Municipality	None	Sealed Bid	Pete's Equipment Repair Inc	Yes	\$336,592.00	N/A	1412 Broadway Blvd NE Albuquerque NM 87102	N/A	N/A	Purchased a Vactor	N/A

Compliance Section

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Sandra Rush

Certified Public Accountant PC

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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

Timothy Keller
New Mexico State Auditor
The Governing Board
Village of Loving
Loving, New Mexico

I 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, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, of the Village of Loving (the Village) as of and for the year ended June 30, 2016, 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 my report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit, of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, I 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 entity'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 is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

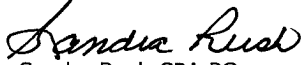
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.



Sandra Rush CPA PC
Clovis, New Mexico
December 8, 2016

STATE OF NEW MEXICO
VILLAGE OF LOVING
Schedule of Findings and Responses
June 30, 2016

Prior Year Audit Finding

None

Current Year Audit Finding

None

Financial Statement Preparation

Although it would be preferred and desirable for the Village to prepare its own GAAP-basis financial statements, it is felt that the Village's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the Village. Management of the Village has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

Exit Conference

The contents of this report were discussed with, Pete H Estrada, Mayor, Manuel Garza, Clerk/Treasurer, and Sandra Rush, CPA, in an exit conference on December 8, 2016.