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STATE OF NEW MEXICO  
Village of Loving  
June 30, 2018

Financial Statements and Supplementary Information  
As Of And For The Year Ended June 30, 2018  
With Independent Auditor's Report Thereon

*Sandra Rush CPA PC*

*1101 E Llano Estacado  
Clovis, New Mexico 88101*

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Introductory Section

STATE OF NEW MEXICO  
VILLAGE OF LOVING

Official Roster  
For the year ended June 30, 2018

Board of Trustees

Pete H Estrada	Mayor
Ricky C Fuentes	Trustee
George M Brewer	Trustee
Serapio Parraz, Jr.	Trustee
Mario A Vasquez	Trustee

Administrative Officials

Manuel Garza	Clerk-Treasurer
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VILLAGE OF LOVING  
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## Financial Section

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# *Sandra Rush*

*Certified Public Accountant PC*

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1101 E Llano Estacado • Clovis, New Mexico 88101 • 575-763-2245

## Independent Auditor's Report

Wayne Johnson  
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, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the Village of Loving (Village) as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Village's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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 of material misstatement.

An audit involves performing procedures to obtain 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 Village'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 Village'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, 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, the aggregate remaining fund information, and the respective budgetary comparisons for the general fund and major special revenue funds of the Village as of June 30, 2018, and, the respective changes in financial position and cash flows thereof 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 to be presented to supplement the basic financial statements. Such missing 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.

## **Other Information**

My audit was conducted for the purpose of forming an opinion on the basic financial statements. The supplemental information as noted in the table of contents required by Section 2.2.2 NMAC is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplemental schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated December 3, 2018 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 3, 2018

## Basic Financial Statements

## Government-wide Financial Statements

STATE OF NEW MEXICO  
VILLAGE OF LOVING  
Statement of Net Position  
June 30, 2018

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 6,745,347	\$ 667,859	\$ 7,413,206
Cash - CDBG	200	-	200
Accounts receivable			
Taxes	289,600	6,435	296,035
Other	1,985	-	1,985
Net sales	-	40,697	40,697
Total current assets	<u>7,037,132</u>	<u>714,991</u>	<u>7,752,123</u>
Noncurrent assets			
Restricted cash	16	51,948	51,964
Cash in New Mexico Finance Authority			
State treasury debt service	4,581	-	4,581
Capital assets	6,403,296	8,457,687	14,860,983
Accumulated depreciation	<u>(2,959,165)</u>	<u>(3,333,074)</u>	<u>(6,292,239)</u>
Total noncurrent assets	<u>3,448,728</u>	<u>5,176,561</u>	<u>8,625,289</u>
Total assets	<u>10,485,860</u>	<u>5,891,552</u>	<u>16,377,412</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Aggregated deferred outflows	<u>290,531</u>	<u>-</u>	<u>290,531</u>
Total assets and deferred outflows of resources	<u>\$ 10,776,391</u>	<u>\$ 5,891,552</u>	<u>\$ 16,667,943</u>
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable	\$ 16,753	\$ 11,936	\$ 28,689
Accrued wages payable	4,149	1,883	6,032
Deposit on sale of capital asset	30,000	-	30,000
Current portion of long-term debt	<u>2,461</u>	<u>6,594</u>	<u>9,055</u>
Total current liabilities	<u>53,363</u>	<u>20,413</u>	<u>73,776</u>
Non-current liabilities			
Customer deposits	-	42,735	42,735
Compensated absences	47,942	19,068	67,010
Long-term portion notes payable	7,476	98,868	106,344
Net pension liability	<u>934,875</u>	<u>-</u>	<u>934,875</u>
Total non-current liabilities	<u>990,293</u>	<u>160,671</u>	<u>1,150,964</u>
Total liabilities	<u>1,043,656</u>	<u>181,084</u>	<u>1,224,740</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Aggregated deferred inflows	199,122	-	199,122
<u>NET POSITION</u>			
Net investment in capital assets	3,434,194	5,019,151	8,453,345
Restricted			
General government fund	4,597	-	4,597
Special revenue fund	348,655	-	348,655
Unrestricted	<u>5,746,167</u>	<u>691,317</u>	<u>6,437,484</u>
Total net position	<u>9,533,613</u>	<u>5,710,468</u>	<u>15,244,081</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,776,391</u>	<u>\$ 5,891,552</u>	<u>\$ 16,667,943</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, 2018

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	
<b>Governmental activities</b>							
Elected officials	\$ 3,287	\$ -	\$ -	\$ -	\$ (3,287)	\$ -	\$ (3,287)
Legislative	77,747	-	-	-	(77,747)	-	(77,747)
Finance	308,679	9,517	1,882	-	(297,280)	-	(297,280)
Judicial	85,452	-	-	-	(85,452)	-	(85,452)
Public safety	685,279	31,459	141,723	21,800	(490,297)	-	(490,297)
Public works	325,791	-	-	212,166	(113,625)	-	(113,625)
Culture and recreation	77,945	8,250	-	-	(69,695)	-	(69,695)
Health and welfare	7,156	7,209	-	-	53	-	53
Total governmental activities	<u>1,571,336</u>	<u>56,435</u>	<u>143,605</u>	<u>233,966</u>	<u>(1,137,330)</u>	<u>-</u>	<u>(1,137,330)</u>
<b>Business-type activities</b>							
Water	582,609	413,858	-	-	-	(168,751)	(168,751)
Solid waste	125,728	86,040	-	-	-	(39,688)	(39,688)
Total business-type activities	<u>708,337</u>	<u>499,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(208,439)</u>	<u>(208,439)</u>
Total governmental and business-type activities	<u>\$ 2,279,673</u>	<u>\$ 556,333</u>	<u>\$ 143,605</u>	<u>\$ 233,966</u>	<u>\$ (1,137,330)</u>	<u>\$ (208,439)</u>	<u>\$ (1,345,769)</u>
<b>General Revenues</b>							
Taxes							
Property					20,700	-	20,700
Franchise					32,039	-	32,039
Gas					89,441	48	89,489
Gross receipts - municipal local					1,321,257	-	1,321,257
Gross receipts - infrastructure					128,113	-	128,113
Gross receipts - inter state telecom					546	-	546
Gross receipts - muni equivalent					11,177	-	11,177
Gross receipts - municipal state					1,327,244	-	1,327,244
Gross receipts - environmental					-	65,211	65,211
Licenses and fees					1,435	-	1,435
Penalties and fines					144,134	-	144,134
Interest income					1,968	21	1,989
Other income					70	-	70
Small cities assistance					90,000	-	90,000
Operating transfers in (out)					(74,991)	74,991	-
Total general revenues					<u>3,093,133</u>	<u>140,271</u>	<u>3,233,404</u>
Change in net position					1,955,803	(68,168)	1,887,635
Net position, beginning					7,577,810	5,778,636	13,356,446
Net position, ending					<u>\$ 9,533,613</u>	<u>\$ 5,710,468</u>	<u>\$ 15,244,081</u>

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, 2018

	General 101	Municipal Streets 216	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash in banks	\$ 6,405,442	\$ 178,298	\$ 161,607	\$ 6,745,347
Cash - CDBG	200	-	-	200
New Mexico Finance Authority				
Cash state treasury debt service	4,581	-	-	4,581
Accounts receivable				
Taxes	282,060	7,540	-	289,600
Grantor	-	-	-	-
Other	-	-	1,985	1,985
Restricted cash - MVD	16	-	-	16
<b>Total assets</b>	<b>\$ 6,692,299</b>	<b>\$ 185,838</b>	<b>\$ 163,592</b>	<b>\$ 7,041,729</b>
<b>LIABILITIES</b>				
Accounts payables	\$ 15,978	\$ -	\$ 775	\$ 16,753
Accrued wages payable	4,149	-	-	4,149
<b>Total liabilities</b>	<b>20,127</b>	<b>-</b>	<b>775</b>	<b>20,902</b>
<b>FUND BALANCE</b>				
Restricted for				
General government fund	4,597			4,597
Special revenue funds	-	185,838	162,817	348,655
Unassigned				
General government fund	6,667,575	-	-	6,667,575
<b>Total fund balance</b>	<b>6,672,172</b>	<b>185,838</b>	<b>162,817</b>	<b>7,020,827</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,692,299</b>	<b>\$ 185,838</b>	<b>\$ 163,592</b>	<b>\$ 7,041,729</b>

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, 2018

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

Fund balance - total governmental funds		\$ 7,020,827
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Capital assets used in governmental activities are not financial resources  
 and, therefore, are not reported in the funds

Capital assets	\$ 6,403,296	
Accumulated depreciation	<u>(2,959,165)</u>	3,444,131

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 pension	290,531	
Deferred inflows of resources related to pension	<u>(199,122)</u>	91,409

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

Deposits held for tentative sale of capital asset		(30,000)
Accrued compensated absences		(47,942)
Loans and notes payable		(9,937)
Net pension liability		<u>(934,875)</u>
Net position of governmental activities		<u>\$ 9,533,613</u>

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, 2018

	General 101	Municipal Streets 216	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Property tax	\$ 20,700	\$ -	\$ -	\$ 20,700
Franchise tax	32,039	-	-	32,039
Gross receipts tax muni	1,321,257	-	-	1,321,257
Gross receipts tax infrastructure	128,113	-	-	128,113
Gross receipts tax telecom	546	-	-	546
Gross receipts tax muni equivalent	11,177	-	-	11,177
Gas taxes	-	89,441	-	89,441
MVD tax	30,197	-	-	30,197
Charges for services	-	-	4,055	4,055
Interest	1,968	-	-	1,968
Licenses and fees	1,435	-	-	1,435
Fines and penalties	144,134	-	31,459	175,593
Rents	13,830	-	3,154	16,984
Other income	1,361	-	-	1,361
Emergency medical service grant	-	-	7,074	7,074
Fire allotment grant	-	-	79,262	79,262
Law enforcement protection fund grant	20,000	-	21,800	41,800
Local grants	1,472	-	-	1,472
Gross receipts taxes state shared	1,327,244	-	-	1,327,244
Small cities assistance	90,000	-	-	90,000
State grants	220,412	-	-	220,412
<b>Total revenues</b>	<b>3,365,885</b>	<b>89,441</b>	<b>146,804</b>	<b>3,602,130</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Election	3,287	-	-	3,287
Legislative	77,747	-	-	77,747
Finance	230,428	-	-	230,428
Judicial	85,452	-	-	85,452
Public safety	567,324	-	52,978	620,302
Public works	221,208	37,342	-	258,550
Culture and recreation	27,239	-	-	27,239
Health and welfare	-	-	7,156	7,156
Capital outlay	121,924	4,959	-	126,883
Capital projects	221,046	-	-	221,046
Debt service				
Principal	2,433	-	-	2,433
Interest	28	-	-	28
<b>Total expenditures</b>	<b>1,558,116</b>	<b>42,301</b>	<b>60,134</b>	<b>1,660,551</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,807,769</b>	<b>47,140</b>	<b>86,670</b>	<b>1,941,579</b>
<b>Other financing sources (uses)</b>				
Tentative sale of capital asset	30,000	-	-	30,000
Operating transfers (net)	(74,991)	-	-	(74,991)
<b>Total other financing sources (uses)</b>	<b>(44,991)</b>	<b>-</b>	<b>-</b>	<b>(44,991)</b>
<b>Net change in fund balances</b>	<b>1,762,778</b>	<b>47,140</b>	<b>86,670</b>	<b>1,896,588</b>
<b>Fund balances, beginning</b>	<b>4,909,394</b>	<b>138,698</b>	<b>76,147</b>	<b>5,124,239</b>
<b>Fund balances, ending</b>	<b>\$ 6,672,172</b>	<b>\$ 185,838</b>	<b>\$ 162,817</b>	<b>\$ 7,020,827</b>

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, 2018

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

Net change in fund balances - total governmental funds	\$ 1,896,588
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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	347,929
Depreciation expense	(218,821)

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 village 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	(19)
Proceeds from tentative sell of capital asset	(30,000)
Change in deferred inflows / outflows related to pension	<u>(42,335)</u>

Change in Net Position of Governmental Activities	<u>\$ 1,955,803</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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenue</b>				
Property tax	\$ 14,629	\$ 14,629	\$ 20,985	\$ 6,356
Franchise tax	28,000	28,000	27,852	(148)
Gross receipts tax muni	391,900	391,900	1,278,143	886,243
Gross receipts tax infrastructure	36,742	36,742	123,649	86,907
Gross receipts tax telecom	-	-	572	572
Gross receipts tax muni equivalent	-	-	10,977	10,977
MVD tax	14,750	14,750	30,392	15,642
Interest	-	-	1,968	1,968
Licenses and fees	1,800	1,800	1,435	(365)
Fines and penalties	69,800	69,800	144,134	74,334
Rents	6,350	6,350	13,830	7,480
Other income	6,690	42,704	1,361	(41,343)
Law enforcement protection fund grant	70,000	70,000	20,000	(50,000)
Local grants	532	532	1,472	940
Gross receipts taxes state shared	386,940	386,940	1,284,558	897,618
Small cities assistance	90,000	90,000	90,000	-
State grants	-	-	220,412	220,412
<b>Total revenue</b>	<b>1,118,133</b>	<b>1,154,147</b>	<b>3,271,740</b>	<b>2,117,593</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Elected officials	1,287	5,899	3,287	2,612
Legislative	48,698	51,900	49,698	2,202
Legislative personnel services	19,250	24,000	21,750	2,250
Finance	36,223	39,900	37,223	2,677
Finance personnel services	187,172	192,000	189,672	2,328
Judicial	17,676	20,000	17,676	2,324
Judicial personnel services	65,954	70,000	68,454	1,546
Public safety	121,862	125,000	121,862	3,138
Public safety personnel services	444,610	450,000	447,110	2,890
Public works	81,626	85,000	81,626	3,374
Public works personnel services	134,000	138,000	136,500	1,500
Culture and recreation	26,367	29,000	26,367	2,633
Capital outlay	318,406	344,000	342,970	1,030
<b>Debt service</b>				
Principal	2,450	2,450	2,433	17
Interest	30	50	28	22
<b>Total expenditures</b>	<b>1,505,611</b>	<b>1,577,199</b>	<b>1,546,656</b>	<b>30,543</b>
Excess (deficiency) revenues over (under) expenditures	(387,478)	(423,052)	1,725,084	2,148,136
<b>Other financing sources (uses):</b>				
Operating transfers net	(74,991)	(74,991)	(74,991)	-
Funds held on sale of asset	30,000	30,000	30,000	-
Designated cash	462,569	498,143	-	(498,143)
<b>Total other financing sources (uses)</b>	<b>417,578</b>	<b>453,152</b>	<b>(44,991)</b>	<b>(498,143)</b>
<b>Net change in cash balances</b>	<b>30,100</b>	<b>30,100</b>	<b>1,680,093</b>	<b>1,649,993</b>
Cash balance, beginning	-	-	4,730,146	4,730,146
Cash balance, ending	\$ 30,100	\$ 30,100	\$ 6,410,239	\$ 6,380,139
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 1,680,093	
Adjustment to revenues for accruals and other deferrals			94,145	
Adjustment to expenditures for payables, prepaids and other accruals			(11,460)	
<b>Net change in fund balance (GAAP Basis)</b>			<b>\$ 1,762,778</b>	

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, 2018

	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	82,240	82,240	90,545	8,305
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	<u>82,240</u>	<u>82,240</u>	<u>90,545</u>	<u>8,305</u>
Expenditures				
Current				
General government				
Elected officials	-	-	-	-
Legislative	-	-	-	-
Finance	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Public works	49,495	49,495	37,601	11,894
Culture and recreation	-	-	-	-
Capital outlay	10,000	10,000	4,959	5,041
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>59,495</u>	<u>59,495</u>	<u>42,560</u>	<u>16,935</u>
Excess (deficiency) revenues over (under) expenditures	22,745	22,745	47,985	25,240
Other financing sources (uses)				
Operating transfers net	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	22,745	22,745	47,985	25,240
Cash balance, beginning	-	-	130,313	130,313
Cash balance, ending	<u>\$ 22,745</u>	<u>\$ 22,745</u>	<u>\$ 178,298</u>	<u>\$ 155,553</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 47,985	
Adjustment to revenues for accruals and other deferrals			(1,104)	
Adjustment to expenditures for payables, prepaids and other accruals			259	
Net change in fund balance (GAAP Basis)			<u>\$ 47,140</u>	

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, 2018

	Business-type Activities <u>Water Fund 501</u>	Business-type Activities <u>Solid Waste 502</u>	Business-type Activities <u>Totals</u>
<b><u>ASSETS</u></b>			
Current assets			
Cash and cash equivalents	\$ 497,862	\$ 169,997	\$ 667,859
Accounts receivable			
Taxes	-	6,435	6,435
Net sales	<u>33,674</u>	<u>7,023</u>	<u>40,697</u>
Total current assets	<u>531,536</u>	<u>183,455</u>	<u>714,991</u>
Noncurrent assets			
Restricted cash	51,948	-	51,948
Capital assets	8,175,938	281,749	8,457,687
Less: accumulated depreciation	<u>(3,194,248)</u>	<u>(138,826)</u>	<u>(3,333,074)</u>
Total noncurrent assets	<u>5,033,638</u>	<u>142,923</u>	<u>5,176,561</u>
Total assets	<u>\$ 5,565,174</u>	<u>\$ 326,378</u>	<u>\$ 5,891,552</u>
<b><u>LIABILITIES AND NET POSITION</u></b>			
Current liabilities			
Accounts payable	\$ 10,667	\$ 1,269	\$ 11,936
Accrued wages payable	1,695	188	1,883
Compensated absences	15,492	3,576	19,068
Current portion long-term debt	<u>6,594</u>	<u>-</u>	<u>6,594</u>
Total current liabilities	<u>34,448</u>	<u>5,033</u>	<u>39,481</u>
Noncurrent liabilities			
Customer meter deposits	42,735	-	42,735
Long-term debt	<u>98,868</u>	<u>-</u>	<u>98,868</u>
Total noncurrent liabilities	<u>141,603</u>	<u>-</u>	<u>98,868</u>
Total liabilities	176,051	5,033	181,084
Net position			
Net invested in capital assets	4,876,228	142,923	5,019,151
Unrestricted	<u>512,895</u>	<u>178,422</u>	<u>691,317</u>
Total net position	<u>5,389,123</u>	<u>321,345</u>	<u>5,710,468</u>
Total liabilities and net position	<u>\$ 5,565,174</u>	<u>\$ 326,378</u>	<u>\$ 5,891,552</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, 2018

	Business-type Activities Water Fund 501	Business-type Activities Solid Waste 502	Business-type Activities Totals
Operating revenues			
Sales and services	\$ 381,334	\$ 85,953	\$ 467,287
Total operating revenues	<u>381,334</u>	<u>85,953</u>	<u>467,287</u>
Operating expenses			
Public works	145,205	33,892	179,097
Personnel	220,417	75,343	295,760
Depreciation	<u>216,987</u>	<u>16,493</u>	<u>233,480</u>
Total operating expenses	<u>582,609</u>	<u>125,728</u>	<u>708,337</u>
Operating income (loss)	(201,275)	(39,775)	(241,050)
Non-operating revenues (expenses)			
Gross receipts tax environmental	-	65,211	65,211
Gas tax	48	87	135
Net meter deposits	-	-	-
Interest	21	-	21
Penalties	12,689	-	12,689
Install fees	15,550	-	15,550
Rent	3,600	-	3,600
Other revenue (expense)	685	-	685
State grant	-	-	-
Capital outlay	-	-	-
Note payment	-	-	-
Designated cash	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenue (expenses)	<u>32,593</u>	<u>65,298</u>	<u>97,891</u>
Net income (loss)	(168,682)	25,523	(143,159)
Operating transfers (net)	<u>74,991</u>	<u>-</u>	<u>74,991</u>
Change in net position - proprietary funds	(93,691)	25,523	(68,168)
Net position, beginning	<u>5,482,814</u>	<u>295,822</u>	<u>5,778,636</u>
Net position, ending	<u>\$ 5,389,123</u>	<u>\$ 321,345</u>	<u>\$ 5,710,468</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, 2018

	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	\$ 393,597	\$ 87,898	\$ 481,495
Payments to suppliers and contractors	(143,770)	(34,007)	(177,777)
Payments to and on behalf of employees	<u>(217,290)</u>	<u>(75,308)</u>	<u>(292,598)</u>
Net cash provided (used) by operating activities	<u>32,537</u>	<u>(21,417)</u>	<u>11,120</u>
Cash flows from non capital financing activities			
Gross receipts tax environmental	-	63,084	63,084
Gas tax	48	87	135
Change in meter deposits	954	-	954
Interest income	21	-	21
Penalty income	12,689	-	12,689
Install fees	15,550	-	15,550
Rent	3,600	-	3,600
Other income (expense)	685	-	685
Transfers in (out)	<u>74,991</u>	<u>-</u>	<u>74,991</u>
Net cash provided (used) by non capital financing activities	<u>108,538</u>	<u>63,171</u>	<u>171,709</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(93,740)	-	(93,740)
Long-term debt principal payment	<u>(6,594)</u>	<u>-</u>	<u>(6,594)</u>
Net cash provided (used) by capital and related financing activities	<u>(100,334)</u>	<u>-</u>	<u>(100,334)</u>
Net increase (decrease) in cash and cash equivalents	40,741	41,754	82,495
Cash and cash equivalents, beginning	<u>509,069</u>	<u>128,243</u>	<u>637,312</u>
Total cash and cash equivalents, ending	<u>\$ 549,810</u>	<u>\$ 169,997</u>	<u>\$ 719,807</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)			\$ (241,050)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization			233,480
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable			14,208
Increase (Decrease) in accounts payable			<u>4,482</u>
Net cash provided (used) by operating activities			<u>\$ 11,120</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, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,408
Total assets	<u>\$ 1,408</u>
<u>LIABILITIES</u>	
Deposits held for others	\$ 1,408
Total liabilities	<u>\$ 1,408</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, 2018.

**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.

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.

Generally, 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 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 village expenses at the time purchases are made.

**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.

**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, 2018.

**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 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, 2018, is presented.

The appropriated budget for the year ended June 30, 2018, 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, 2018.

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.

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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, 2018		
Village of Loving General Fund	\$ 6,541,282	Checking Non-Interest
Village of Loving Solid Waste Disposal	172,938	Checking Non-Interest
Village of Loving Fire Fund	74,751	Checking Non-Interest
Loving Cemetery Fund	17,000	Checking Non-Interest
Loving Municipal Court	1,408	Checking Non-Interest
Loving Joint Water	442,190	Checking Non-Interest
Loving Water Deposits	43,163	Checking Non-Interest
Shop With A Cop	9,212	Savings - Interest
Village of Loving Capital Projects	183,584	Certificate of Deposit
Village of Loving Baseball Field Lights ****157	4,540	Certificate of Deposit
Total deposited non-interest bearing	<u>7,292,732</u>	
Total deposited time and savings deposits	197,336	
Less FDIC coverage non-interest	(250,000)	
Less FDIC coverage time & savings deposits	<u>(197,335)</u>	
Total uninsured public funds	<u>7,042,733</u>	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	<u>3,521,367</u>	
Pledged securities	<u>3,879,672</u>	
Over (under)	<u>\$ 358,305</u>	

Pledged Collateral:

Description	CUSIP#	Maturity Date	Market Value	Location
FNMA #918314	31411YGX5	4/1/1937	\$ 172,389	FHLB, Dallas TX
FHLMC #MA0299	3141YKM8	1/1/1930	87,240	FHLB, Dallas TX
FHLMC #690595	31400LGC2	10/1/1933	192,053	FHLB, Dallas TX
SBAP Series 2011	83162CUL5	12/1/1931	244,666	FHLB, Dallas TX
SBAP Series 2004	83162CPD9	11/1/2024	90,521	FHLB, Dallas TX
FNMA #AL2284	3138EJRE0	9/1/2027	485,086	FHLB, Dallas TX
SBAP Series 2012	83162CUP6	2/1/1932	236,646	FHLB, Dallas TX
FNMA #745944	31403DWD7	12/1/2033	136,126	FHLB, Dallas TX
FNMA #MA2841	31418CEP5	12/1/2036	867,426	FHLB, Dallas TX
FNMA #807223	317406DYU4	1/1/1935	123,296	FHLB, Dallas TX
SBAP SERIES 2013	83162CVN0	5/1/1933	558,260	FHLB, Dallas TX
SBAP SERIES 2010	83162CTE3	4/1/1930	685,960	FHLB, Dallas TX
			<u>\$ 3,879,672</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, 2018, \$4,057,731 of the Village's bank balance of \$7,490,068 was exposed to custodial credit risk.

**Custodial Credit Risk Deposits**

Account Balance	\$ 7,490,068
FDIC Insurance	(447,335)
Collateral:	
Collateral held by the pledging bank, not in the Village's name	3,879,672
Uninsured and uncollateralized	<u>4,057,731</u>
Total Deposits	<u>\$ 7,490,068</u>

**Note 4 Receivables**

Receivables as of June 30, 2018, are as follows:

Governmental Activities	General Fund	Municipal Streets	Non Major	Totals
Accounts receivable taxes				
Property Tax	\$ 754	\$ -	\$ -	\$
GRT Municipal	130,387	-	-	
GRT Infrastructure	12,660	-	-	
GRT State Shared	130,533	-	-	
GRT Inter State Telecom	13	-	-	
GRT Municipal Equivalent	858	-	-	
Franchise Tax	6,364	-	-	
MVD	491	-	-	
Gas Tax	-	7,540	-	
Total accounts receivable taxes				289,600
Accounts receivable other				
Correction	-	-	1,460	
Cemetery	-	-	525	
Total accounts receivable other				<u>1,985</u>
Totals	<u>\$ 282,060</u>	<u>\$ 7,540</u>	<u>\$ 1,985</u>	<u>\$ 291,585</u>

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

Business-type Activities	Water Fund	Solid Waste Fund	Totals
Accounts receivable taxes			
Environmental GRT	\$ -	\$ 6,435	\$ 6,435
Total accounts receivable tax	<u>\$ -</u>	<u>\$ 6,435</u>	<u>\$ 6,435</u>
Receivable from customers	\$ 35,823	\$ 7,471	\$ 43,294
Less allowance for uncollectible	<u>(2,149)</u>	<u>448</u>	<u>(2,597)</u>
Total receivables from customers	<u>\$ 33,674</u>	<u>\$ 7,023</u>	<u>\$ 40,697</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.

	Transfer In	Transfer Out
Water Fund	\$ 74,991	\$ -
General Fund	-	(74,991)
Totals	<u>\$ 74,991</u>	<u>\$ (74,991)</u>

**Note 6 Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows.

<b>Governmental activities:</b>	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Capital assets not being depreciated				
Land	\$ 18,720	\$ -	\$ -	\$ 18,720
CNP	-	221,046	-	221,046
Capital assets being depreciated				
Buildings and improvements	4,408,682		-	4,408,682
Equipment	1,627,965	126,883	-	1,754,848
Total assets	<u>6,055,367</u>	<u>347,929</u>	<u>-</u>	<u>6,403,296</u>
Less accumulated depreciation				
Buildings and improvements	(1,804,293)	(116,974)	-	(1,921,267)
Equipment	(936,051)	(101,847)	-	(1,037,898)
Total accumulated depreciation	<u>(2,740,344)</u>	<u>(218,821)</u>	<u>-</u>	<u>(2,959,165)</u>
Governmental activity capital assets, net	<u>\$ 3,315,023</u>	<u>\$ 129,108</u>	<u>\$ -</u>	<u>\$ 3,444,131</u>

Capital assets, net of accumulated depreciation, at June 30, 2018 appear in the Statement of Net Position as follows:  
 Governmental activities \$ 3,444,131.

Depreciation expense for the year ended June 30, 2018 was charged to the following governmental activities functions.

General	\$ 35,897
Public safety	64,977
Public works	67,241
Culture and Recreation	50,706
	<u>\$ 218,821</u>

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<b>Business-type activities:</b>	Beginning		Adjustments/	Ending
<b>Water and Sewer</b>	Balances	Increase	Decrease	Balances
Capital assets not being depreciated				
Land	\$ 9,992	\$ -	\$ -	\$ 9,992
CNP	454,851	77,741	-	532,592
Capital assets being depreciated				
Buildings	24,737	-	-	24,737
Water System	7,349,436	-	-	7,349,436
Equipment	243,181	16,000	-	259,181
Total assets	<u>8,082,197</u>	<u>93,741</u>	<u>-</u>	<u>8,175,938</u>
Less accumulated depreciation				
Buildings	(24,736)	(163,073)	-	(187,809)
Water System	(2,830,225)	-	-	(2,830,225)
Equipment	(122,300)	(53,914)	-	(176,214)
Total accumulated depreciation	<u>(2,977,261)</u>	<u>(216,987)</u>	<u>-</u>	<u>(3,194,248)</u>
Business-type activity capital assets, net	<u>\$ 5,104,936</u>	<u>\$ (123,246)</u>	<u>\$ -</u>	<u>\$ 4,981,690</u>

<b>Business-type activities:</b>	Beginning		Adjustments/	Ending
<b>Solid Waste</b>	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	(122,333)	(16,493)	-	(138,826)
Total accumulated depreciation	<u>(122,333)</u>	<u>(16,493)</u>	<u>-</u>	<u>(138,826)</u>
Business-type activity capital assets, net	<u>\$ 159,416</u>	<u>\$ (16,493)</u>	<u>\$ -</u>	<u>\$ 142,923</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2018 totaled \$233,480.

**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 Village participates in the New Mexico Self-Insurers' Fund risk pool.

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, 2018,

**Note 9 Long-Term Debts**

Governmental Activities

During the year ended June 30, 2018, 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	\$ 12,398	\$ -	\$ (2,461)	\$ 9,937	\$ 2,461
Compensated absences	\$ 47,923	\$ 13,192	\$ (13,173)	\$ 47,942	\$ -

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, 2018, including interest and administration fees is as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 2,461	\$ -	\$ 2,461
2020	2,461	-	2,461
2021	2,461	-	2,461
2022	2,554	-	2,554
	<u>\$ 9,937</u>	<u>\$ -</u>	<u>\$ 9,937</u>

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

Business-type Activities

During the year ended June 30, 2018, the following changes occurred in the long-term debt and compensated absences liabilities reported in the government wide statement of net position:

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Business-type Activities					
NMFA Colonia's	\$ 52,852	\$ -	\$ (3,304)	49,548	\$ 3,304
NMFA Colonia's	59,204	-	(3,290)	55,914	3,290
	<u>\$ 112,056</u>	<u>\$ -</u>	<u>\$ (6,594)</u>	<u>\$ 105,462</u>	<u>\$ 6,594</u>
Compensated absences	\$ 17,788	\$ 7,958	\$ (6,678)	\$ 19,068	\$ -

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, 2018, including interest and administration fees is as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 3,304	\$ -	\$ 3,304
2020	3,304	-	3,304
2021	3,304	-	3,304
2022	3,304	-	3,304
2023	3,304	-	3,304
2024 - 2028	16,520	-	16,520
2029 - 2033	16,508	-	16,508
	<u>\$ 49,548</u>	<u>\$ -</u>	<u>\$ 49,548</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, 2018, including interest and administration fees is as follows:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 3,290	\$ -	\$ 3,290
2020	3,290	-	3,290
2021	3,289	-	3,289
2022	3,289	-	3,289
2023	3,289	-	3,289
2024 - 2028	16,445	-	16,445
2029 - 2033	16,445	-	16,445
2034 - 2035	6,577	-	6,577
	<u>\$ 55,914</u>	<u>\$ -</u>	<u>\$ 55,914</u>

#### Note 10 Public Employees Retirement Association (PERA) Plan

**Pensions.** 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 due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description.** The 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-IIA-1 to 10-IIA-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.

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

**Benefits Provided** For a description of the benefits provided and recent changes to the benefits see Note D in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-final.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 FYI 7 for the various PERA coverage options, for both Tier I and Tier II,

see the tables available in the note disclosures on pages 46 through 48 of the PERA FY 17 annual audit report. The PERA coverage options that apply to the Village are: General Division and Police Division.

**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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

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, 2017.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 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 Fund Division – General.** At June 30, 2018, the Village reported a liability of \$553,757 for its proportionate share of the net pension liability at June 30, 2017. At June 30, 2017, the Village's proportion was 0.0403%, which was slightly lower than its 0.0426% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized PERA Fund - General pension expense of approximately \$74,050.

At June 30, 2017, the Village reported PERA Fund Division - General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 21,760	\$ 28,362
Change in assumptions	25,536	5,722
Net difference between projected and actual earnings on plan investments	45,432	-
Change in proportion and difference between Village contribution and proportionate share of contributions	31,530	21,126
Village's contribution subsequent to the measurement date	37,447	-
<b>Totals</b>	<b>\$ 161,705</b>	<b>\$ 55,210</b>

For the General Division, \$37,447 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Municipal General Division	Municipal Police Division
2019	\$ 22,750	\$ (13,069)
2020	56,710	2,428
2021	2,865	(30,259)
2022	(13,277)	(8,975)



**PERA Fund Division - Police.** At June 30, 2018, the Village reported a liability of \$381,118 for its proportionate share of the net pension liability at June 30, 2017. As of June 30, 2017, the Village's proportion was 0.0686%, which was slightly lower than its 0.0848% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Village recognized PERA Fund - Police pension expense of approximately \$35,249. At June 30, 2017, the Village reported PERA Fund Division - Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal Police Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 23,147	\$ 71,208
Change in assumptions	22,675	8,862
Net difference between projected and actual earnings on plan investments	30,694	-
Change in proportion and difference between Village contribution and proportionate share of contributions	17,521	63,842
Village's contribution subsequent to the measurement date	34,789	-
Totals	<u>\$ 128,826</u>	<u>\$ 143,912</u>

For the Police Division, \$34,789 reported as deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**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, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

PERA	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	4 year smoothed Market Value
Actuarial Assumptions	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years, then 2.75 all other years
Mortality Assumption	RP-2000 Mortality Tables
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) July 1, 2010 through June 20, 2016 (economic)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which 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 Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets to Include Real Estate Equity	20.00%	7.35%
Total	100.00%	

**Discount Rate.** The discount rate used to measure the total pension liability was 7.25% for the first ten years (select period) then 7.75% for all other years (ultimate). The equivalent blended rate of 7.48% will be used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this 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 GASBS 67. Therefore, the 7.48% 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 Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Association's net pension liability in each PERA Fund Division in which the Association participates, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

Proportionate share of the net pension liability	1% Decrease 6.51%	Current Discount 7.51%	1% Increase 8.51%
Municipal General Division	\$ 895,916	\$ 553,757	\$ 292,487
Municipal Police Division	\$ 607,777	\$ 381,118	\$ 195,110

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at: [www.pera.state.nm.us/publications.html](http://www.pera.state.nm.us/publications.html).

**Payables to the Pension Plan.** At June 30, 2018, the Village did not have any outstanding contributions to the pension plan reported within accounts payables in the General Fund

**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 3, 2018 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 GASB 77 Abatement Disclosures**

The Village was not part of any tax abatement agreements subject to GASBS 77 Tax Abatement Disclosures during the year ended June 30, 2018. As a result, they make no such disclosures related to GASBS 77.

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## 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 of Proportionate Share of the Net Pension Liability**

Fiscal Year	2015	2016	2017	2018
Measurement Year	2014	2015	2016	2017
The Entity's proportion of the net pension liability (asset)	0.11260%	0.11700%	0.12740%	0.10890%
The Entity's proportionate share of the net pension liability (asset) \$	\$ 535,996	\$ 760,315	\$ 1,306,285	\$ 934,875
The Entity's covered-employee payroll	\$ 639,517	\$ 515,903	\$ 495,119	\$ 576,184
The Entity's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	83.81%	147.38%	263.83%	162.25%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	76.99%	69.18%	73.74%

\* Governmental Accounting Standards Board Statement No.68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the entity is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**Schedule of Contributions**

June 30,	2015	2016	2017	2018
Contractually required contribution	\$ 58,704	\$ 64,608	\$ 60,496	\$ 72,236
Contributions in relation to the contractually required contribution	58,704	64,608	60,496	72,236
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
The Entity's covered-employee payroll	639,517	515,903	495,119	576,184
Contributions as a percentage of covered-employee payroll	9.18%	12.52%	12.22%	12.54%

\* Governmental Accounting Standards Board Statement No.68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the entity is not available prior to fiscal year 2015, the year the statement's requirements became effective.

*Note: Employee contributions are not included in this schedule.*

See notes to required supplementary information

STATE OF NEW MEXICO  
VILLAGE OF LOVING  
Notes to Required Supplementary Information  
June 30, 2018

**Changes of Benefit Terms.** The Public Employees Retirement Association of New Mexico (PERA) Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

**Changes of Assumptions.** PERA Annual Actuarial Valuation as of June 30, 2017 report is available at: [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf).

The summary of Key Findings for the PERA Fund (on page 2 of the report) states "based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio."

For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

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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, 2018

	Correction 201	Emergency Medical Service 206	Fire Protection 209	Law Enforcement Protection 211	Cemetery 600	Totals
<u>ASSETS</u>						
Cash in banks	\$ 67,812	\$ 2,874	\$ 74,751	\$ -	\$ 16,170	\$ 161,607
Accounts receivable						
Taxes	-	-	-	-	-	-
Other	1,460	-	-	-	525	1,985
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total assets	<u>\$ 69,272</u>	<u>\$ 2,874</u>	<u>\$ 74,751</u>	<u>\$ -</u>	<u>\$ 16,695</u>	<u>\$ 163,592</u>
<u>LIABILITIES</u>						
Accounts payable	\$ -	\$ -	\$ 388	\$ -	\$ 387	\$ 775
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>388</u>	<u>-</u>	<u>387</u>	<u>775</u>
<u>FUND BALANCE</u>						
Restricted for						
Special revenue funds	69,272	2,874	74,363	-	16,308	162,817
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total fund balance	<u>69,272</u>	<u>2,874</u>	<u>74,363</u>	<u>-</u>	<u>16,308</u>	<u>162,817</u>
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities and fund balance	<u>\$ 69,272</u>	<u>\$ 2,874</u>	<u>\$ 74,751</u>	<u>\$ -</u>	<u>\$ 16,695</u>	<u>\$ 163,592</u>

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, 2018

	Correction 201	Emergency Medical Service 206	Fire Protection 209	Law Enforcement Protection 211	Cemetery 600	Totals
<b>Revenues</b>						
Gas tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-
Rents and royalties	-	-	-	-	3,154	3,154
Charges for services	-	-	-	-	4,055	4,055
Fines and penalties	31,459	-	-	-	-	31,459
Other	-	-	-	-	-	-
Local grants	-	-	-	-	-	-
Emergency medical service grant	-	7,074	-	-	-	7,074
Law enforcement protection fund grant	-	-	-	21,800	-	21,800
Fire allotment grant	-	-	79,262	-	-	79,262
State grants	-	-	-	-	-	-
Federal grants	-	-	-	-	-	-
<b>Total revenues</b>	<b>31,459</b>	<b>7,074</b>	<b>79,262</b>	<b>21,800</b>	<b>7,209</b>	<b>146,804</b>
<b>Expenditures</b>						
<b>Current</b>						
<b>General government</b>						
Finance	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	5,083	26,095	21,800	-	52,978
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Health and welfare	-	-	-	-	7,156	7,156
Capital outlay	-	-	-	-	-	-
<b>Debt service</b>						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>5,083</b>	<b>26,095</b>	<b>21,800</b>	<b>7,156</b>	<b>60,134</b>
Excess (deficiency) of revenues over expenditures	31,459	1,991	53,167	-	53	86,670
<b>Other financing sources (uses)</b>						
Reimbursed unallowed expense	-	-	-	-	-	-
Operating transfers (net)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>31,459</b>	<b>1,991</b>	<b>53,167</b>	<b>-</b>	<b>53</b>	<b>86,670</b>
Fund balances, beginning	37,813	883	21,196	-	16,255	76,147
Fund balances, ending	\$ 69,272	\$ 2,874	\$ 74,363	\$ -	\$ 16,308	\$ 162,817

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for services	\$ 384,756	\$ 384,756	\$ 393,597	\$ 8,841
Total revenues	384,756	384,756	393,597	8,841
Expenses				
Current				
Public works	93,934	143,770	143,770	-
Personal	173,221	217,290	217,290	-
Total expenses	267,155	361,060	361,060	-
Excess (deficiency) revenues over (under) expenses	117,601	23,696	32,537	8,841
Other financing sources (uses)				
Gross receipts tax environmental	-	-	-	-
Gas tax	-	-	48	(48)
Net meter deposits	100	100	954	854
Interest	-	-	21	21
Penalties	-	-	12,689	12,689
Install fees	-	-	15,550	(15,550)
Rent	2,650	2,650	3,600	(950)
Other income (expense)	-	-	685	(685)
State grant	-	-	-	-
Capital outlay	(93,741)	(93,741)	(93,740)	1
Note payment	(6,594)	(6,594)	(6,594)	-
Operating transfers (net)	74,991	74,991	74,991	-
Designated cash	-	-	-	-
Total other financing sources (uses)	(22,594)	(22,594)	8,204	30,798
Net change in cash balances	95,007	1,102	40,741	39,639
Cash balance, beginning	-	-	509,069	509,069
Cash balance, ending	\$ 95,007	\$ 1,102	\$ 549,810	\$ 548,708
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 40,741	
Adjustment to revenues for accruals and other deferrals			(12,263)	
Adjustment to expenditures for payables, prepaids and other accruals			(122,169)	
Net change in fund balance (GAAP Basis)			\$ (93,691)	

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, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Charges for services	\$ 86,211	\$ 86,211	\$ 87,898	\$ 1,687
Total revenues	86,211	86,211	87,898	1,687
Expenses				
Current				
Public works	23,717	34,054	34,007	47
Personal	68,308	75,308	75,308	-
Total expenses	92,025	109,362	109,315	47
Excess (deficiency) revenues over (under) expenses	(5,814)	(23,151)	(21,417)	1,734
Other financing sources (uses)				
Gross receipts tax environmental	20,365	20,365	63,084	42,719
Gas tax	-	-	87	87
Net meter deposits	-	-	-	-
Interest	-	-	-	-
Penalties	-	-	-	-
Install fees	-	-	-	-
Rent	-	-	-	-
Other income (expenses)	-	-	-	-
State grant	-	-	-	-
Capital outlay	-	-	-	-
Note payment	-	-	-	-
Operating transfers (net)	-	-	-	-
Designated cash	-	2,786	-	(2,786)
Total other financing sources (uses)	20,365	23,151	63,171	40,020
Net change in cash balances	14,551	-	41,754	41,754
Cash balance, beginning	-	-	128,243	128,243
Cash balance, ending	\$ -	\$ -	\$ 169,997	\$ 169,997
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 41,754	
Adjustment to revenues for accruals and other deferrals			(1,945)	
Adjustment to expenditures for payables, prepaids and other accruals			(14,286)	
Net change in fund balance (GAAP Basis)			\$ 25,523	

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, 2018

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>ASSETS</u>				
Municipal court fund	\$ 8,934	\$ -	\$ (7,526)	\$ 1,408
Shop with a cop fund	<u>2,062</u>	<u>-</u>	<u>(2,062)</u>	<u>-</u>
Total assets	<u>\$ 10,996</u>	<u>\$ -</u>	<u>\$ (9,588)</u>	<u>\$ 1,408</u>
<u>LIABILITIES</u>				
Funds handled on behalf of others	<u>\$ 10,996</u>	<u>\$ -</u>	<u>\$ (9,588)</u>	<u>\$ 1,408</u>
Total liabilities	<u>\$ 10,996</u>	<u>\$ -</u>	<u>\$ (9,588)</u>	<u>\$ 1,408</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, 2018

Schedule II

Bank Name	Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Western Commerce Bank						
Governmental Activities						
General Fund Account						
	General	1	\$ 6,292,297	\$ 28,791	\$ (103,770)	\$ 6,217,318
	Municipal Street	1	178,298			178,298
	Correction	1	67,812			67,812
	EMS	1	2,874			2,874
	General Fund	3	183,584	-	-	183,584
	General Fund	3	4,540	-	-	4,540
	General Fund - CDBG	1	200	-	-	200
	General Fund - Motor Vehicle Division	1	9,178	1,819	(10,981)	16
	Fire Fund	1	74,751	-	-	74,751
	Cemetery Fund	1	17,000	-	(830)	16,170
	Total		<u>6,830,534</u>	<u>30,610</u>	<u>(115,581)</u>	<u>6,745,563</u>
Business-type Activities						
	Joint Water	1	442,190	84,602	(28,930)	497,862
	Solid Waste Disposal	1	172,938	4,021	(6,962)	169,997
	Water Deposits	1	43,163	200	(627)	42,736
	Water Loan Reserve	2	9,212	-	-	9,212
	Total		<u>667,503</u>	<u>88,823</u>	<u>(36,519)</u>	<u>719,807</u>
	Total Net Position Cash		7,498,037	119,433	(152,100)	7,465,370
Agency Fund						
	Municipal Court	1	1,408	-	-	1,408
	Total		<u>1,408</u>	<u>-</u>	<u>-</u>	<u>1,408</u>
	Total Western Commerce Bank		<u>7,499,445</u>	<u>119,433</u>	<u>(152,100)</u>	<u>7,466,778</u>
New Mexico Finance Authority						
	State Treasurer D/S	4	4,581	-	-	4,581
	Total New Mexico Finance Authority		<u>4,581</u>	<u>-</u>	<u>-</u>	<u>4,581</u>
	Total All Accounts		<u>\$ 7,504,026</u>	<u>\$ 119,433</u>	<u>\$ (152,100)</u>	<u>\$ 7,471,359</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.

## Compliance Section

Independent Auditor's 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*

Wayne Johnson  
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 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 funds of the Village of Loving (Village) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents and have issued my report thereon dated December 3, 2018.

**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 opinion 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.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be either material weaknesses or significant deficiencies.

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. I consider the deficiency described in the accompanying schedule of findings and responses as item 2018-001, to be a material weakness.

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. I consider the deficiencies described in the accompanying schedule of findings and responses as item to be a significant deficiency. 2018-003

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and Section 12-6-5 NMSA 1978 as item 2018-002.

**Village's Responses to Findings**

The Village's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

**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 results of that testing, and not to provide an opinion on the effectiveness of the Village'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 Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Sandra Rush CPA PC  
Clovis, New Mexico  
December 3, 2018

Prior Year Audit Finding

None

Current Year Audit Finding

2018-001 Bank Reconciliation Preparation

Material Weakness

Condition:

During the cash test work, it was discovered the bank reconciliations are not always prepared timely. A sample of 42 reconciliations revealed 21 were not prepared timely.

Criteria

Audit Rule 2.2.2.10.D(2) NMAC the financial statements are the responsibility of the agency. The agency shall maintain adequate accounting records, prepare financial statements in accordance with accounting principles generally accepted in the United States of America, and provide complete, accurate, and timely information to the IPA as requested to meet the audit report due date imposed in Subsection A of Section 2.2.2.9 NMAC.

New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Effect

The Village is not maintaining adequate controls over cash to safeguard cash or facilitating prompt and accurate reporting to the New Mexico Department of Finance and Administration (DFA). This can also cause transactions to be unaccounted for within funds.

Cause

The Village did not have a procedure for tracking cash accounts by fund to ensure that all are captured on the general ledger and reconciled.

Recommendation

I recommend the Village implement policies and procedures that require the all bank accounts, certificates of deposits, and NMFA cash be reconciled monthly, agreed to the general ledger, and reviewed by someone other than the preparer. The reviewer should be someone trained and knowledgeable in bank reconciliations. Evidence of the review should be documented on the reconciliation.

Response

The clerk-treasurer will be enrolled in training classes on the QuickBooks accounting system in order to efficiently implement and monitor cash control, generate financial reports and prepare bank reconciliations in a timely manner. The village will continue to contract local support from a person trained and knowledgeable in accounting to ensure processes are understood and followed.

Responsible employee Clerk-treasurer  
Timeline June 30, 2019

2018-002 Public Employees Retirement Act (PERA)

Other Non Compliance

Condition

The test of Public Employees Retirement Act (PERA) individual pay checks revealed the wrong amount was withheld from five (5) of the ten (10) checks tested. Two of the checks had .00 PERA withheld. The sample resulted in an under withholding of \$439.

Criteria

All members who participate in PERA's defined benefit plan are required to make employee contributions to the plan. The amount is a percentage of their base salary as determined by the coverage plan provided by the current employer. PERA contribution requirements are established in State Statute under Chapter 10, Article 11, and NMSA 1978.

Effect

The Village is not in compliance with Sections 10-11-1 to 10-11-142 NMSA reporting requirements. Further if PERA payments were underpaid in prior fiscal years the Village could have unrecorded liabilities to PERA that is not properly disclosed.

Cause

Inadequate internal controls, lack of training and understanding of PERA Sections 10-11-1 to 10-11-142 NMSA.

Recommendation

The Village should implement a monitoring system to ensure that all calculations are double checked and approved by someone trained and qualified to review and approve the PERA calculation and remittance. The approval should be documented.

Response:

The clerk-treasurer will develop a process to ensure PERA contributions are correctly calculation and remitted at the end of each pay period.

Responsible employee      Clerk-treasurer  
Timeline                      June 30, 2019



2018-003 Annual Inventory and Certification

Significant Deficiency

Condition

The Village did not perform a physical inventory of capital assets for the year ended June 30, 2018. Also, the Village failed to obtain a certification from the council as required by 12-6-10 NMAC 1978.

Criteria

According to 2.2.2.10 W of the State Audit Rule agencies shall conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of 12-6-10 NMSA 1978. The council shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors. The IPA shall audit the inventory listing for correctness and compliance with the requirements of the Audit Act

Effect

The Village is not in compliance with 12-6-10 NMAC 1978 regarding their annual capital asset certification.

Cause

Management was unaware of the requirements of 12-6-10 NMAC 1978 to perform a physical inventory of capital assets at year end and have the capital asset inventory certified by the council.

Recommendation

The Village should implement procedures to perform a physical inventory at year end and have the annual capital asset inventory certified by the council.

The clerk should review and become familiar with 2.2.2.10 W (2) and 12-6-10 NMAC 1978.

Response

The clerk-treasurer will develop a process to ensure the required annual capital assets inventory is completed by department heads. The count reports created during the physical inventory will be compiled and presented to the governing body for certification. Based on this process, the inventory will be updated and kept current.

Responsible employee	Clerk-treasurer
Timeline	June 30, 2019

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 3, 2018.

