
STATE OF NEW MEXICO
Village of Loving
June 30, 2019

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2019
With Independent Auditor's Report Thereon

Sandra Rush CPA PC

*1101 E Llano Estacado
Clovis, New Mexico 88101*

Introductory Section

STATE OF NEW MEXICO
VILLAGE OF LOVING

Official Roster
For the year ended June 30, 2019

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 |
|--------------|-----------------|

STATE OF NEW MEXICO
VILLAGE OF LOVING
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June 30, 2019

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Financial Section

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Independent Auditor's Report

Brian Colón
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, 2019, 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, 2019, and, the respective changes in financial position and where applicable, 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 November 5, 2019 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

Sandra Rush CPA PC
Clovis, New Mexico
November 5, 2019

Basic Financial Statements

Government-wide Financial Statements

STATE OF NEW MEXICO
VILLAGE OF LOVING
Statement of Net Position
June 30, 2019

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 9,997,390 | \$ 693,578 | \$ 10,690,968 |
| Cash - CDBG | 200 | - | 200 |
| Accounts receivable | | | |
| Taxes | 276,122 | 6,208 | 282,330 |
| Other | 424 | - | 424 |
| Grantor | - | 13,325 | 13,325 |
| Net sales | - | 33,764 | 33,764 |
| Total current assets | <u>10,274,136</u> | <u>746,875</u> | <u>11,021,011</u> |
| Noncurrent assets | | | |
| Restricted cash | - | 53,346 | 53,346 |
| Cash in New Mexico Finance Authority | | | |
| State treasury debt service | 4,730 | - | 4,730 |
| Capital assets | 6,602,243 | 8,868,588 | 15,470,831 |
| Accumulated depreciation | <u>(2,430,651)</u> | <u>(3,517,447)</u> | <u>(5,948,098)</u> |
| Total noncurrent assets | <u>4,176,322</u> | <u>5,404,487</u> | <u>9,580,809</u> |
| Total assets | <u>14,450,458</u> | <u>6,151,362</u> | <u>20,601,820</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Aggregated deferred outflows | <u>478,518</u> | - | <u>478,518</u> |
| Total assets and deferred outflows of resources | <u>\$ 14,928,976</u> | <u>\$ 6,151,362</u> | <u>\$ 21,080,338</u> |
| <u>LIABILITIES</u> | | | |
| Current liabilities | | | |
| Accounts payable | \$ 131,249 | \$ 26,087 | \$ 157,336 |
| Accrued wages payable | 3,176 | 794 | 3,970 |
| 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>166,886</u> | <u>33,475</u> | <u>200,361</u> |
| Non-current liabilities | | | |
| Customer deposits | - | 44,113 | 44,113 |
| Compensated absences | 65,696 | 25,217 | 90,913 |
| Long-term portion notes payable | 4,893 | 92,274 | 97,167 |
| Net pension liability - PERA | <u>1,276,454</u> | <u>-</u> | <u>1,276,454</u> |
| Total non-current liabilities | <u>1,347,043</u> | <u>161,604</u> | <u>1,508,647</u> |
| Total liabilities | <u>1,513,929</u> | <u>195,079</u> | <u>1,709,008</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Aggregated deferred inflows | 138,752 | - | 138,752 |
| <u>NET POSITION</u> | | | |
| Net investment in capital assets | 4,164,238 | 5,252,273 | 9,416,511 |
| Restricted | | | |
| General government fund | 4,730 | - | 4,730 |
| Special revenue fund | 290,031 | - | 290,031 |
| Unrestricted | <u>8,817,296</u> | <u>704,010</u> | <u>9,521,306</u> |
| Total net position | <u>13,276,295</u> | <u>5,956,283</u> | <u>19,232,578</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 14,928,976</u> | <u>\$ 6,151,362</u> | <u>\$ 21,080,338</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, 2019

| Functions / Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues | | Total |
|--|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | |
| Governmental activities | | | | | | | |
| Elected officials | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Legislative | 68,535 | - | - | - | (68,535) | - | (68,535) |
| Finance | 464,155 | 5,919 | 18,182 | - | (440,054) | - | (440,054) |
| Judicial | 77,753 | - | - | - | (77,753) | - | (77,753) |
| Public safety | 702,922 | 9,073 | 147,221 | 21,800 | (524,828) | - | (524,828) |
| Public works | 346,890 | 11,391 | - | 38,771 | (296,728) | - | (296,728) |
| Culture and recreation | 104,188 | 18,970 | - | - | (85,218) | - | (85,218) |
| Health and welfare | - | - | - | - | - | - | - |
| Total governmental activities | 1,764,443 | 45,353 | 165,403 | 60,571 | (1,493,116) | - | (1,493,116) |
| Business-type activities | | | | | | | |
| Water | 605,965 | 456,458 | 147,519 | - | - | (1,988) | (1,988) |
| Solid waste | 172,905 | 89,578 | - | - | - | (83,327) | (83,327) |
| Total business-type activities | 778,870 | 546,036 | 147,519 | - | - | (85,315) | (85,315) |
| Total governmental and business-type activities | \$ 2,543,313 | \$ 591,389 | \$ 312,922 | \$ 60,571 | (1,493,116) | (85,315) | (1,578,431) |
| | | | General Revenues | | | | |
| | | | Taxes | | | | |
| | | | | | 21,569 | - | 21,569 |
| | | | | | 22,545 | - | 22,545 |
| | | | | | 102,604 | - | 102,604 |
| | | | | | 2,348,807 | - | 2,348,807 |
| | | | | | 231,818 | - | 231,818 |
| | | | | | 3,103 | - | 3,103 |
| | | | | | 18,856 | - | 18,856 |
| | | | | | 2,386,913 | - | 2,386,913 |
| | | | | | - | 115,909 | 115,909 |
| | | | | | 2,530 | - | 2,530 |
| | | | | | 59,386 | - | 59,386 |
| | | | | | 4,158 | 1,398 | 5,556 |
| | | | | | (12,581) | - | (12,581) |
| | | | | | 90,000 | - | 90,000 |
| | | | | | (213,823) | 213,823 | - |
| | | | | | 5,065,885 | 331,130 | 5,397,015 |
| | | | | | 3,572,769 | 245,815 | 3,818,584 |
| | | | | | 9,533,613 | 5,710,468 | 15,244,081 |
| | | | | | 169,913 | - | 169,913 |
| | | | | | 9,703,526 | 5,710,468 | 15,413,994 |
| | | | | | \$ 13,276,295 | \$ 5,956,283 | \$ 19,232,578 |

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, 2019

| | General 101 | Corrections 201 | Municipal Streets 216 | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------|--------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash in banks | \$ 9,644,839 | \$ 78,345 | \$ 148,163 | \$ 126,043 | \$ 9,997,390 |
| Cash - CDBG | 200 | - | - | - | 200 |
| New Mexico Finance Authority | | | | | |
| Cash state treasury debt service | 4,730 | - | - | - | 4,730 |
| Accounts receivable | | | | | |
| Taxes | 267,199 | - | 8,923 | - | 276,122 |
| Grantor | - | - | - | - | - |
| Other | - | - | - | 424 | 424 |
| Restricted cash - MVD | - | - | - | - | - |
| Total assets | \$ 9,916,968 | \$ 78,345 | \$ 157,086 | \$ 126,467 | \$ 10,278,866 |
| LIABILITIES | | | | | |
| Accounts payables | \$ 59,453 | \$ 19,579 | \$ 51,580 | \$ 637 | \$ 131,249 |
| Accrued wages payable | 3,105 | - | - | 71 | 3,176 |
| Total liabilities | 62,558 | 19,579 | 51,580 | 708 | 134,425 |
| FUND BALANCE | | | | | |
| Restricted for | | | | | |
| General government fund | 4,730 | | | | 4,730 |
| Special revenue funds | - | 58,766 | 105,506 | 125,759 | 290,031 |
| Unassigned | | | | | |
| General government fund | 9,849,680 | - | - | - | 9,849,680 |
| Total fund balance | 9,854,410 | 58,766 | 105,506 | 125,759 | 10,144,441 |
| Total liabilities and fund balance | \$ 9,916,968 | \$ 78,345 | \$ 157,086 | \$ 126,467 | \$ 10,278,866 |

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, 2019

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

| | | |
|---|--------------------|----------------------|
| Fund balance - total governmental funds | | \$ 10,144,441 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | |
| Capital assets | \$ 6,602,243 | |
| Accumulated depreciation | <u>(2,430,651)</u> | 4,171,592 |
| 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 | 478,518 | |
| Deferred inflows of resources related to pension | <u>(138,752)</u> | 339,766 |
| 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 | (65,696) | |
| Loans and notes payable | (7,354) | |
| Net pension liability | <u>(1,276,454)</u> | <u>(1,379,504)</u> |
| Net position of governmental activities | | <u>\$ 13,276,295</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, 2019

| | General 101 | Corrections 201 | Municipal Streets 216 | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------|--------------------------|--------------------------------|--------------------------------|
| Revenue | | | | | |
| Property tax | \$ 21,569 | \$ - | \$ - | \$ - | \$ 21,569 |
| Franchise tax | 22,545 | - | - | - | 22,545 |
| Gross receipts tax muni | 2,348,807 | - | - | - | 2,348,807 |
| Gross receipts tax infrastructure | 231,818 | - | - | - | 231,818 |
| Gross receipts tax telecom | 3,103 | - | - | - | 3,103 |
| Gross receipts tax muni equivalent | 18,856 | - | - | - | 18,856 |
| Gas taxes | - | - | 102,604 | - | 102,604 |
| MVD tax | 44,279 | - | - | - | 44,279 |
| Charges for services | - | - | - | 8,765 | 8,765 |
| Interest | 4,158 | - | - | - | 4,158 |
| Licenses and fees | 2,530 | - | - | - | 2,530 |
| Fines and penalties | 59,386 | 9,073 | - | - | 68,459 |
| Rents | 18,970 | - | - | 2,626 | 21,596 |
| Other income | 17,820 | - | - | - | 17,820 |
| Emergency medical service grant | - | - | - | - | - |
| Fire allotment grant | - | - | - | 80,914 | 80,914 |
| Law enforcement protection fund grant | 20,000 | - | - | 21,800 | 41,800 |
| Local grants | 4,395 | - | - | - | 4,395 |
| Gross receipts taxes state shared | 2,386,913 | - | - | - | 2,386,913 |
| Small cities assistance | 90,000 | - | - | - | 90,000 |
| State grant | 3,914 | - | - | - | 3,914 |
| Legislative grant | 38,771 | - | - | - | 38,771 |
| Total revenues | 5,337,834 | 9,073 | 102,604 | 114,105 | 5,563,616 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | | | | | |
| Election | - | - | - | - | - |
| Legislative | 68,535 | - | - | - | 68,535 |
| Finance | 314,576 | - | - | - | 314,576 |
| Judicial | 77,763 | - | - | - | 77,763 |
| Public safety | 556,485 | 19,579 | - | 32,915 | 608,979 |
| Public works | 204,645 | - | 57,424 | - | 262,069 |
| Culture and recreation | 40,118 | - | - | - | 40,118 |
| Health and welfare | - | - | - | 12,642 | 12,642 |
| Capital outlay | 677,190 | - | 125,512 | 36,334 | 839,036 |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Principal | 2,461 | - | - | - | 2,461 |
| Interest | - | - | - | - | - |
| Total expenditures | 1,941,773 | 19,579 | 182,936 | 81,891 | 2,226,179 |
| Excess (deficiency) of revenues over expenditures | 3,396,061 | (10,506) | (80,332) | 32,214 | 3,337,437 |
| Other financing sources (uses) | | | | | |
| Operating transfers (net) | (213,823) | - | - | - | (213,823) |
| Total other financing sources (uses) | (213,823) | - | - | - | (213,823) |
| Net change in fund balances | 3,182,238 | (10,506) | (80,332) | 32,214 | 3,123,614 |
| Fund balances, beginning | 6,672,172 | 69,272 | 185,838 | 93,545 | 7,020,827 |
| Fund balances, ending | <u>\$ 9,854,410</u> | <u>\$ 58,766</u> | <u>\$ 105,506</u> | <u>\$ 125,759</u> | <u>\$ 10,144,441</u> |

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, 2019

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

| | |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ 3,123,614 |
|--|--------------|

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 | 839,036 |
| Depreciation expense | (268,785) |
| Gain (loss) disposal of capital assets | (12,581) |

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 |
|-------------------|-------|

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 | (17,754) |
| Change in deferred inflows / outflows related to pension | <u>(93,222)</u> |

| | |
|---|---------------------|
| Change in Net Position of Governmental Activities | <u>\$ 3,572,769</u> |
|---|---------------------|

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, 2019

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|------------------|------------------|-----------------|
| | Original | Final | | |
| Revenue | | | | |
| Property tax | \$ 19,824 | \$ 21,673 | \$ 21,673 | \$ - |
| Franchise tax | 27,850 | 27,850 | 28,341 | 491 |
| Gross receipts tax muni | 1,034,328 | 2,353,415 | 2,353,414 | (1) |
| Gross receipts tax infrastructure | 99,600 | 229,753 | 2,653 | (227,100) |
| Gross receipts tax telecom | - | - | 232,272 | 232,272 |
| Gross receipts tax muni equivalent | 9,950 | 18,007 | 18,457 | 450 |
| Gas tax | - | - | - | - |
| MVD tax | 15,245 | 34,635 | 44,770 | 10,135 |
| Interest | - | - | 4,158 | 4,158 |
| Licenses and fees | 2,000 | 2,000 | 2,530 | 530 |
| Fines and penalties | 95,000 | 95,000 | 59,386 | (35,614) |
| Rents | 15,000 | 18,970 | 18,970 | - |
| Other income | 8,015 | 26,583 | 17,820 | (8,763) |
| Law enforcement protection fund grant | 20,000 | 20,000 | 20,000 | - |
| Local grants | 6,734 | 6,734 | 4,395 | (2,339) |
| Gross receipts taxes state shared | 1,037,472 | 2,393,825 | 2,391,171 | (2,654) |
| Small cities assistance | 90,000 | 90,000 | 90,000 | - |
| Legislative grant | - | 38,771 | 38,771 | - |
| State grant | - | - | 3,914 | 3,914 |
| Total revenue | 2,481,018 | 5,377,216 | 5,352,695 | (24,521) |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Legislative | 69,211 | 81,286 | 70,532 | 10,754 |
| Finance | 263,390 | 322,513 | 316,554 | 5,959 |
| Judicial | 80,199 | 81,988 | 77,885 | 4,103 |
| Public safety | 580,715 | 594,358 | 556,481 | 37,877 |
| Public works | 319,436 | 214,354 | 205,761 | 8,593 |
| Culture and recreation | 430,252 | 34,091 | 35,760 | (1,669) |
| Capital outlay | - | 818,000 | 633,919 | 184,081 |
| Debt service | | | | |
| Principal | - | 2,500 | 2,439 | 61 |
| Interest | - | 100 | 21 | 79 |
| Total expenditures | 1,743,203 | 2,149,190 | 1,899,352 | 249,838 |
| Excess (deficiency) revenues over (under) expenditures | 737,815 | 3,228,026 | 3,453,343 | 225,317 |
| Other financing sources (uses): | | | | |
| Operating transfers net | (213,823) | (213,823) | (213,823) | - |
| Designated cash | - | - | - | - |
| Total other financing sources (uses) | (213,823) | (213,823) | (213,823) | - |
| Net change in cash balances | 523,992 | 3,014,203 | 3,239,520 | 225,317 |
| Cash balance, beginning | - | - | 6,410,239 | 6,410,239 |
| Cash balance, ending | \$ 523,992 | \$ 3,014,203 | \$ 9,649,759 | \$ 6,635,556 |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ 3,239,520 | |
| Adjustment to revenues for accruals and other deferrals | | | (14,861) | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | (42,421) | |
| Net change in fund balance (GAAP Basis) | | | \$ 3,182,238 | |

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

STATE OF NEW MEXICO
VILLAGE OF LOVING
Special Revenue Fund - Correction Fund - 201
Statement of Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2019

| | 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 | - | - | - | - |
| MVD tax | - | - | - | - |
| Interest | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Fines and penalties | 22,800 | 22,800 | 10,533 | (12,267) |
| Rents | - | - | - | - |
| Other income | - | - | - | - |
| Law enforcement protection fund grant | - | - | - | - |
| Local grants | - | - | - | - |
| Gross receipts taxes state shared | - | - | - | - |
| Small cities assistance | - | - | - | - |
| Legislative grant | - | - | - | - |
| State grant | - | - | - | - |
| Total revenues | <u>22,800</u> | <u>22,800</u> | <u>10,533</u> | <u>(12,267)</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Legislative | | | | |
| Finance | - | - | - | - |
| Judicial | - | - | - | - |
| Public safety | 12,650 | 12,650 | - | 12,650 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>12,650</u> | <u>12,650</u> | <u>-</u> | <u>12,650</u> |
| Excess (deficiency) revenues over (under) expenditures | 10,150 | 10,150 | 10,533 | 383 |
| 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 | <u>10,150</u> | <u>10,150</u> | <u>10,533</u> | <u>383</u> |
| Cash balance, beginning | - | - | 67,812 | 67,812 |
| Cash balance, ending | <u>\$ 10,150</u> | <u>\$ 10,150</u> | <u>\$ 78,345</u> | <u>\$ 68,195</u> |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ 10,533 | |
| Adjustment to revenues for accruals and other deferrals | | | (1,460) | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | (19,579) | |
| Net change in fund balance (GAAP Basis) | | | <u>\$ (10,506)</u> | |

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, 2019

| | 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 | 90,680 | 101,221 | 101,221 | - |
| MVD tax | - | - | - | - |
| 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 | - | - | - | - |
| Legislative grant | - | - | - | - |
| State grant | - | - | - | - |
| Total revenues | <u>90,680</u> | <u>101,221</u> | <u>101,221</u> | <u>-</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Legislative | - | - | - | - |
| Finance | - | - | - | - |
| Judicial | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 33,520 | 44,954 | 50,337 | (5,383) |
| Culture and recreation | - | - | - | - |
| Capital outlay | 11,423 | 86,402 | 81,019 | 5,383 |
| Debt service | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>44,943</u> | <u>131,356</u> | <u>131,356</u> | <u>-</u> |
| Excess (deficiency) revenues over (under) expenditures | 45,737 | (30,135) | (30,135) | - |
| 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 | 45,737 | (30,135) | (30,135) | - |
| Cash balance, beginning | - | - | 178,298 | 178,298 |
| Cash balance, ending | <u>\$ 45,737</u> | <u>\$ (30,135)</u> | <u>\$ 148,163</u> | <u>\$ 178,298</u> |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ (30,135) | |
| Adjustment to revenues for accruals and other deferrals | | | 1,383 | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | (51,580) | |
| Net change in fund balance (GAAP Basis) | | | <u>\$ (80,332)</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, 2019

| | Business-type Activities <u>Water Fund 501</u> | Business-type Activities <u>Solid Waste 502</u> | Business-type Activities <u>Totals</u> |
|--|--|---|--|
| <u>ASSETS</u> | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 514,660 | \$ 178,918 | \$ 693,578 |
| Accounts receivable | | | |
| Taxes | - | 6,208 | 6,208 |
| Grantor | 13,325 | - | 13,325 |
| Net sales | <u>26,721</u> | <u>7,043</u> | <u>33,764</u> |
| Total current assets | <u>554,706</u> | <u>192,169</u> | <u>746,875</u> |
| Noncurrent assets | | | |
| Restricted cash | 53,346 | - | 53,346 |
| Capital assets | 8,400,004 | 468,584 | 8,868,588 |
| Less: accumulated depreciation | <u>(3,363,634)</u> | <u>(153,813)</u> | <u>(3,517,447)</u> |
| Total noncurrent assets | <u>5,089,716</u> | <u>314,771</u> | <u>5,404,487</u> |
| Total assets | <u>\$ 5,644,422</u> | <u>\$ 506,940</u> | <u>\$ 6,151,362</u> |
| <u>LIABILITIES AND NET POSITION</u> | | | |
| Current liabilities | | | |
| Accounts payable | \$ 24,942 | \$ 1,145 | \$ 26,087 |
| Accrued wages payable | 608 | 186 | 794 |
| Compensated absences | 20,119 | 5,098 | 25,217 |
| Current portion long-term debt | <u>6,594</u> | <u>-</u> | <u>6,594</u> |
| Total current liabilities | <u>52,263</u> | <u>6,429</u> | <u>58,692</u> |
| Noncurrent liabilities | | | |
| Customer meter deposits | 44,113 | - | 44,113 |
| Long-term debt | <u>92,274</u> | <u>-</u> | <u>92,274</u> |
| Total noncurrent liabilities | <u>136,387</u> | <u>-</u> | <u>92,274</u> |
| Total liabilities | 188,650 | 6,429 | 195,079 |
| Net position | | | |
| Net invested in capital assets | 4,937,502 | 314,771 | 5,252,273 |
| Unrestricted | <u>518,270</u> | <u>185,740</u> | <u>704,010</u> |
| Total net position | <u>5,455,772</u> | <u>500,511</u> | <u>5,956,283</u> |
| Total liabilities and net position | <u>\$ 5,644,422</u> | <u>\$ 506,940</u> | <u>\$ 6,151,362</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, 2019

| | Business-type Activities <u>Water Fund 501</u> | Business-type Activities <u>Solid Waste 502</u> | Business-type Activities <u>Totals</u> |
|--|--|---|--|
| Operating revenues | | | |
| Sales and services | \$ 408,860 | \$ 89,578 | \$ 498,438 |
| Total operating revenues | <u>408,860</u> | <u>89,578</u> | <u>498,438</u> |
| Operating expenses | | | |
| Public works | 191,319 | 67,205 | 258,524 |
| Personnel | 245,260 | 81,359 | 326,619 |
| Depreciation | 169,386 | 24,341 | 193,727 |
| Total operating expenses | <u>605,965</u> | <u>172,905</u> | <u>778,870</u> |
| Operating income (loss) | (197,105) | (83,327) | (280,432) |
| Non-operating revenues (expenses) | | | |
| Gross receipts tax environmental | - | 115,909 | 115,909 |
| Gas tax | - | - | - |
| Net meter deposits | - | - | - |
| Interest | 1,398 | - | 1,398 |
| Penalties | 13,676 | - | 13,676 |
| Install fees | 177 | - | 177 |
| Rent | 4,400 | - | 4,400 |
| Other revenue (expense) | 29,345 | - | 29,345 |
| State grant | 147,519 | - | 147,519 |
| Capital outlay | - | - | - |
| Note payment | - | - | - |
| Designated cash | - | - | - |
| Total non-operating revenue (expenses) | <u>196,515</u> | <u>115,909</u> | <u>312,424</u> |
| Net income (loss) | (590) | 32,582 | 31,992 |
| Operating transfers (net) | <u>67,239</u> | <u>146,584</u> | <u>213,823</u> |
| Change in net position - proprietary funds | 66,649 | 179,166 | 245,815 |
| Net position, beginning | <u>5,389,123</u> | <u>321,345</u> | <u>5,710,468</u> |
| Net position, ending | <u>\$ 5,455,772</u> | <u>\$ 500,511</u> | <u>\$ 5,956,283</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, 2019

| | 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 | \$ 415,813 | \$ 89,558 | \$ 505,371 |
| Payments to suppliers and contractors | (177,044) | (67,329) | (244,373) |
| Payments to and on behalf of employees | <u>(241,720)</u> | <u>(79,839)</u> | <u>(321,559)</u> |
| Net cash provided (used) by operating activities | <u>(2,951)</u> | <u>(57,610)</u> | <u>(60,561)</u> |
| Cash flows from non capital financing activities | | | |
| Gross receipts tax environmental | - | 116,136 | 116,136 |
| State grant | 134,194 | - | 134,194 |
| Change in meter deposits | 1,378 | - | 1,378 |
| Interest income | 1,398 | - | 1,398 |
| Penalty income | 13,676 | - | 13,676 |
| Install fees | 177 | - | 177 |
| Rent | 4,400 | - | 4,400 |
| Other income (expense) | 29,345 | - | 29,345 |
| Transfers in (out) | <u>67,239</u> | <u>146,584</u> | <u>213,823</u> |
| Net cash provided (used) by non capital financing activities | <u>251,807</u> | <u>262,720</u> | <u>514,527</u> |
| Cash flows from capital and related financing activities | | | |
| Acquisition of capital assets | (224,067) | (196,189) | (420,256) |
| Long-term debt principal payment | <u>(6,593)</u> | <u>-</u> | <u>(6,593)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(230,660)</u> | <u>(196,189)</u> | <u>(426,849)</u> |
| Net increase (decrease) in cash and cash equivalents | 18,196 | 8,921 | 27,117 |
| Cash and cash equivalents, beginning | <u>549,810</u> | <u>169,997</u> | <u>719,807</u> |
| Total cash and cash equivalents, ending | <u>\$ 568,006</u> | <u>\$ 178,918</u> | <u>\$ 746,924</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | |
| Operating income (loss) | | | \$ (280,432) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | | |
| Depreciation and amortization | | | 193,727 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | | | 6,933 |
| Increase (Decrease) in accounts payable | | | <u>19,211</u> |
| Net cash provided (used) by operating activities | | | <u>\$ (60,561)</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, 2019

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash and cash equivalents | \$ 5,831 |
| Total assets | <u>\$ 5,831</u> |
| <u>LIABILITIES</u> | |
| Deposits held for others | \$ 5,831 |
| Total liabilities | <u>\$ 5,831</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, 2019.

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents:

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State 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 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, 2019.

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, 2019, is presented.

The appropriated budget for the year ended June 30, 2019, 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, 2019.

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, 2019 | | |
| Village of Loving General Fund | \$ 9,896,379 | Checking Non-Interest |
| Village of Loving Solid Waste Disposal | 184,443 | Checking Non-Interest |
| Village of Loving State Fire Fund | 110,144 | Checking Non-Interest |
| Loving Cemetery Fund | 15,673 | Checking Non-Interest |
| Loving Municipal Court | 5,831 | Checking Non-Interest |
| Loving Joint Water | 491,410 | Checking Non-Interest |
| Loving Water Deposits | 44,450 | Checking Non-Interest |
| Motor Vehicle Division Village of Loving | 9,588 | Checking Non-Interest |
| Water Reserve | 9,233 | Savings - Interest |
| Village of Loving Capital Projects | 187,408 | Certificate of Deposit |
| Village of Loving Baseball Field Lights | 4,635 | Certificate of Deposit |
| Total deposited non-interest bearing | <u>10,757,918</u> | |
| Total deposited time and savings deposits | <u>201,276</u> | |
| Total | 10,959,194 | |
| Less FDIC coverage non-interest | (250,000) | |
| Less FDIC coverage time & savings deposits | <u>(201,276)</u> | |
| Total uninsured public funds | <u>10,507,918</u> | |
| 50% collateral requirement as per Section 6-10-17, NMSA 1978 | <u>5,253,959</u> | |
| Pledged securities | <u>5,318,136</u> | |
| Over (under) | <u>\$ 64,177</u> | |

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Pledged Collateral:

| Description | CUSIP# | Maturity Date | Market Value | Location |
|------------------|-----------|---------------|---------------------|-----------------|
| FNMA #918314 | 31411YGX5 | 4/1/1937 | \$ 176,385 | FHLB, Dallas TX |
| FHLMC #MA0299 | 31417YKM8 | 1/1/1930 | 72,781 | FHLB, Dallas TX |
| FHLMC #690595 | 31400LGC2 | 10/1/1933 | 140,602 | FHLB, Dallas TX |
| SBAP Series 2011 | 83162CUL5 | 12/1/1931 | 208,802 | FHLB, Dallas TX |
| SBAP Series 2004 | 83162CPD9 | 11/1/2024 | 73,253 | FHLB, Dallas TX |
| FNMA #AL2284 | 3138EJRE0 | 9/1/2027 | 410,882 | FHLB, Dallas TX |
| SBAP Series 2012 | 83162CUP6 | 2/1/1932 | 204,292 | FHLB, Dallas TX |
| FNMA #745944 | 31403DWD7 | 12/1/2033 | 115,991 | FHLB, Dallas TX |
| FNMA #MA2841 | 31418CEP5 | 12/1/2036 | 831,320 | FHLB, Dallas TX |
| SBAP SERIES 2013 | 83162CVN0 | 5/1/1933 | 486,207 | FHLB, Dallas TX |
| SBAP SERIES 2010 | 83162CTE3 | 4/1/1930 | 568,204 | FHLB, Dallas TX |
| SBAP SERIES 2016 | 83162CYE7 | 12/1/2036 | 421,123 | |
| SBAP SERIES 2015 | 83162CXB4 | 6/1/2035 | 717,256 | |
| FHLMC #G18688 | 3128MMXS7 | 5/1/2033 | 891,038 | |
| | | | <u>\$ 5,318,136</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, 2019, \$5,189,782 of the Village's bank balance of \$10,959,194 was exposed to custodial credit risk.

Custodial Credit Risk Deposits

| | |
|--|----------------------|
| Account Balance | \$ 10,959,194 |
| FDIC Insurance Demand Accounts | 250,000 |
| FDIC Insurance Time Accounts | 201,276 |
| Collateral: | |
| Collateral held by the pledging bank, not in the Village's name | 5,318,136 |
| Uninsured and uncollateralized | 5,189,782 |
| Total Deposits | <u>\$ 10,959,194</u> |

Note 4 Receivables

Receivables as of June 30, 2019, are as follows:

| Governmental Activities | General Fund | Municipal Streets | Non Major | Totals |
|---------------------------------|-------------------|-------------------|---------------|-------------------|
| Accounts receivable taxes | | | | |
| Property Tax | \$ 650 | \$ - | \$ - | \$ |
| GRT Municipal | 125,780 | - | - | |
| GRT Infrastructure | 12,206 | - | - | |
| GRT State Shared | 126,275 | - | - | |
| GRT Inter State Telecom | 463 | - | - | |
| GRT Municipal Equivalent | 1,257 | - | - | |
| Franchise Tax | 568 | - | - | |
| Gas Tax | - | 8,923 | - | |
| Total accounts receivable taxes | | | | 276,122 |
| Accounts receivable other | | | | |
| Cemetery | - | - | 424 | |
| Total accounts receivable other | | | | 424 |
| Totals | <u>\$ 267,199</u> | <u>\$ 8,923</u> | <u>\$ 424</u> | <u>\$ 276,546</u> |

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

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| | Water/ Sewer Fund | Solid Waste Fund | Totals |
|----------------------------------|-------------------------|------------------------|------------------|
| Business-type Activities | | | |
| Accounts receivable taxes | | | |
| Environmental GRT | \$ - | \$ 6,208 | \$ 6,208 |
| Accounts receivable grantor | 13,325 | - | 13,325 |
| Total accounts receivable | <u>\$ -</u> | <u>\$ 6,208</u> | <u>\$ 6,208</u> |
| Receivable from customers | \$ 30,131 | \$ 7,775 | \$ 37,906 |
| Less allowance for uncollectible | <u>(3,410)</u> | <u>(732)</u> | <u>(4,142)</u> |
| Total receivables from customers | <u>\$ 26,721</u> | <u>\$ 7,043</u> | <u>\$ 33,764</u> |

Note 5 Payables

Payables as of June 30, 2019, are as follows:

| | General Fund | Correction Fund | Municipal Streets Fund | Non Major | Totals |
|--------------------------------|------------------|--------------------|------------------------------|---------------|-------------------|
| Governmental Activities | | | | | |
| Accounts payable | | | | | |
| General | | | | | |
| Legislative | \$ 5,037 | \$ - | \$ - | \$ - | \$ - |
| Financial | 1,124 | - | - | - | - |
| Judicial | 136 | - | - | - | - |
| Culture and recreation | 49,261 | - | - | - | - |
| Public safety | 2,232 | - | - | - | - |
| Public works | 1,663 | - | - | - | 59,453 |
| Corrections | - | 19,579 | - | - | 19,579 |
| Municipal Streets | - | - | 51,580 | - | 51,580 |
| Fire | - | - | - | 484 | 484 |
| Cemetery | - | - | - | 153 | 153 |
| Totals | <u>\$ 59,453</u> | <u>\$ 19,579</u> | <u>\$ 51,580</u> | <u>\$ 637</u> | <u>\$ 131,249</u> |
| Business-Type | | | | | |
| Accounts payable | <u>\$ 24,942</u> | <u>\$ 1,145</u> | <u>\$ 26,087</u> | | |

Note 6 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/Sewer Fund | \$ 67,239 | \$ - |
| Solid Waste Fund | 146,584 | |
| General Fund | | (67,239) |
| General Fund | - | (146,584) |
| Totals | <u>\$ 213,823</u> | <u>\$ (213,823)</u> |

Note 7 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows.

| Governmental activities: | <u>Beginning Balances</u> | <u>Increase</u> | <u>Adjustments/ Decrease</u> | <u>Ending Balances</u> |
|---|-------------------------------|-------------------|----------------------------------|----------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 18,720 | \$ - | \$ - | \$ 18,720 |
| CNP | 221,046 | 104,203 | - | 325,249 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 4,408,682 | 405,460 | (524,055) | 4,290,087 |
| Equipment | 1,754,848 | 329,373 | (116,034) | 1,968,187 |
| Total assets | <u>6,403,296</u> | <u>839,036</u> | <u>(640,089)</u> | <u>6,602,243</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (1,921,267) | (135,786) | 681,261 | (1,375,792) |
| Equipment | (1,037,898) | (132,999) | 116,038 | (1,054,859) |
| Total accumulated depreciation | <u>(2,959,165)</u> | <u>(268,785)</u> | <u>797,299</u> | <u>(2,430,651)</u> |
| Governmental activity capital assets, net | <u>\$ 3,444,131</u> | <u>\$ 570,251</u> | <u>\$ 157,210</u> | <u>\$ 4,171,592</u> |

Capital assets, net of accumulated depreciation, at June 30, 2019 appear in the Statement of Net Position as follows:
Governmental activities \$ 4,171,592.

Depreciation expense for the year ended June 30, 2019 was charged to the following governmental activities functions.

| | |
|------------------------|-------------------|
| General | \$ 48,375 |
| Public safety | 85,540 |
| Public works | 70,800 |
| Culture and Recreation | 64,070 |
| | <u>\$ 268,785</u> |

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| Business-type activities: | Beginning | | Adjustments/ | Ending |
|--|---------------------|------------------|--------------|---------------------|
| Water and Sewer | Balances | Increase | Decrease | Balances |
| Capital assets not being depreciated | | | | |
| Land | \$ 9,992 | \$ - | \$ - | \$ 9,992 |
| CNP | 532,592 | 209,182 | - | 741,774 |
| Capital assets being depreciated | | | | |
| Buildings | 24,737 | - | - | 24,737 |
| Water System | 7,349,436 | - | - | 7,349,436 |
| Equipment | 259,181 | 14,884 | - | 274,065 |
| Total assets | <u>8,175,938</u> | <u>224,066</u> | <u>-</u> | <u>8,400,004</u> |
| Less accumulated depreciation | | | | |
| Buildings | (187,809) | - | 163,072 | (24,737) |
| Water System | (2,830,225) | (163,073) | (163,072) | (3,156,370) |
| Equipment | (176,214) | (6,313) | - | (182,527) |
| Total accumulated depreciation | <u>(3,194,248)</u> | <u>(169,386)</u> | <u>-</u> | <u>(3,363,634)</u> |
| Business-type activity capital assets, net | <u>\$ 4,981,690</u> | <u>\$ 54,680</u> | <u>\$ -</u> | <u>\$ 5,036,370</u> |

| Business-type activities: | Beginning | | Adjustments/ | Ending |
|--|-------------------|-------------------|----------------|-------------------|
| Solid Waste | Balances | Increase | Decrease | Balances |
| Capital assets being depreciated | | | | |
| Equipment | \$ 281,749 | \$ 196,189 | \$ (9,354) | \$ 468,584 |
| Total assets | <u>281,749</u> | <u>196,189</u> | <u>(9,354)</u> | <u>468,584</u> |
| Less accumulated depreciation | | | | |
| Equipment | (138,826) | (24,341) | 9,354 | (153,813) |
| Total accumulated depreciation | <u>(138,826)</u> | <u>(24,341)</u> | <u>9,354</u> | <u>(153,813)</u> |
| Business-type activity capital assets, net | <u>\$ 142,923</u> | <u>\$ 171,848</u> | <u>\$ -</u> | <u>\$ 314,771</u> |

Depreciation expense relating to business-like activities for the year ended June 30, 2019 totaled \$193,727.

Note 8 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 9 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, 2019.

Note 10 Long-Term Debts

Governmental Activities

During the year ended June 30, 2019, 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 | \$ 9,937 | \$ - | \$ (2,583) | \$ 7,354 | \$ 2,461 |
| Compensated absences | \$ 47,942 | \$ 32,602 | \$ (14,848) | \$ 65,696 | \$ - |

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, 2019, including interest and administration fees is as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---------------------|-----------------|-------------|-----------------|
| 2020 | \$ 2,461 | \$ - | \$ 2,461 |
| 2021 | 2,461 | - | 2,461 |
| 2022 | 2,432 | - | 2,432 |
| | <u>\$ 7,354</u> | <u>\$ -</u> | <u>\$ 7,354</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, 2019, 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 | \$ 49,548 | \$ - | \$ (3,304) | 46,244 | \$ 3,304 |
| NMFA Colonia's | 55,914 | - | (3,290) | 52,624 | 3,290 |
| | <u>\$ 105,462</u> | <u>\$ -</u> | <u>\$ (6,594)</u> | <u>\$ 98,868</u> | <u>\$ 6,594</u> |
| Compensated absences | \$ 19,068 | \$ 10,070 | \$ (3,921) | \$ 25,217 | \$ - |

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, 2019, including interest and administration fees is as follows:

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to The Financial Statements
For the Year Ended June 30, 2019

| Year Ended June 30, | Principal | Interest | Total |
|---------------------|------------------|-------------|------------------|
| 2020 | \$ 3,304 | \$ - | \$ 3,304 |
| 2021 | 3,304 | - | 3,304 |
| 2022 | 3,304 | - | 3,304 |
| 2023 | 3,304 | - | 3,304 |
| 2024 | 3,304 | - | 3,304 |
| 2025 - 2029 | 16,520 | - | 16,520 |
| 2030 - 2033 | 13,204 | - | 13,204 |
| | <u>\$ 46,244</u> | <u>\$ -</u> | <u>\$ 46,244</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, 2019, including interest and administration fees is as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---------------------|------------------|-------------|------------------|
| 2020 | \$ 3,290 | \$ - | \$ 3,290 |
| 2021 | 3,290 | - | 3,290 |
| 2022 | 3,289 | - | 3,289 |
| 2023 | 3,289 | - | 3,289 |
| 2024 | 3,289 | - | 3,289 |
| 2025 - 2029 | 16,445 | - | 16,445 |
| 2030 - 2034 | 16,445 | - | 16,445 |
| 2034 - 2035 | 3,287 | - | 3,287 |
| | <u>\$ 52,624</u> | <u>\$ -</u> | <u>\$ 52,624</u> |

Note 11 Public Employees Retirement Association (PERA) Plan

Accounting Policies

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. 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.

General Information about the Pension Plan

Plan description

The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a Specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-, 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, unless specifically excluded.

Benefits provided

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for Tier I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage

plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivor's annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5% and effective July 1, 2014 employer contributions were raised .05%. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions - See PERA's compressive annual financial report for Contribution provided description

| Coverage Plan | PERA Contribution Rate and Pension Factor in effect during FY 2018 | | | | | |
|--|--|-------------------------------------|-------------------------------|------------------------------------|--------|---|
| | Employee Contribution Percent | | Employer Contribution Percent | Pension Factor per year of Service | | Pension Maximum as a Percentage of Final Average Salary |
| | Annual Salary less than \$20,000 | Annual Salary greater than \$20,000 | | TIER 1 | TIER 2 | |
| State Plan 3 | 7.42% | 8.50% | 7.40% | 2.00% | 2.00% | 90% |
| Municipal Plan 1 plan open to new employees | 7.00% | 8.50% | 7.40% | 2.00% | 2.00% | 90% |
| Municipal Plan 2 plan open to new employees | 9.15% | 10.65% | 9.55% | 2.50% | 2.00% | 90% |
| Municipal Plan 3 plan closed to new employees 6/95 | 13.15% | 14.65% | 9.55% | 3.00% | 2.50% | 90% |
| Municipal Plan 4 plan closed to new employees 6/00 | 15.65% | 17.15% | 12.05% | 3.00% | 2.50% | 90% |
| Municipal Police Plan 1 | 7.00% | 8.50% | 10.40% | 2.00% | 2.00% | 90% |
| Municipal Police Plan 2 | 7.00% | 8.50% | 15.40% | 2.50% | 2.00% | 90% |
| Municipal Police Plan 3 | 7.00% | 8.50% | 18.90% | 2.50% | 2.00% | 90% |
| Municipal Police Plan 4 | 12.35% | 13.85% | 18.90% | 3.00% | 2.50% | 90% |
| Municipal Police Plan 5 | 16.30% | 17.80% | 18.90% | 3.50% | 3.00% | 90% |
| Municipal Fire Plan 1 | 8.00% | 9.50% | 11.40% | 2.00% | 2.00% | 90% |
| Municipal Fire Plan 2 | 8.00% | 9.50% | 17.90% | 2.50% | 2.00% | 90% |
| Municipal Fire Plan 3 | 8.00% | 9.50% | 21.65% | 2.50% | 2.00% | 90% |
| Municipal Fire Plan 4 | 12.80% | 14.30% | 21.65% | 3.00% | 2.50% | 90% |
| Municipal Fire Plan 5 | 16.20% | 17.70% | 21.65% | 3.50% | 3.00% | 90% |
| Municipal Detention Officer Plan 1 | 16.65% | 18.15% | 17.05% | 3.00% | 3.00% | 90% |
| State Police and Adult Correction Officer Plan 1 | 7.60% | 9.10% | 25.50% | 3.00% | 3.00% | 90% |
| State Plan 3 Peace Officer | 7.42% | 8.92% | 16.99% | 3.00% | 3.00% | 90% |
| Juvenile Correction Officer Plan 2 | 4.78% | 6.28% | 26.12% | 3.00% | 3.00% | 90% |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Municipal General Division at June 30, 2019, the Village reported a liability of \$685,579 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Village's proportion was 0.043%, which was increased 0.0027% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized pension expense of \$96,312. At June 30, 2019 the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

STATE OF NEW MEXICO
VILLAGE OF LOVING
Notes to The Financial Statements
For the Year Ended June 30, 2019

| Municipal General Division | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 19,815 | \$ 17,999 |
| Net difference between projected and actual earnings on plan investments | 50,846 | - |
| Change in assumptions | 62,157 | 3,942 |
| Change in proportion and difference between Village contribution and proportionate share of contributions | 41,343 | 13,031 |
| Village's contribution subsequent to the measurement date | 45,878 | - |
| Totals | <u>\$ 220,039</u> | <u>\$ 34,972</u> |

\$45,878 reported as deferred outflows of resources related to pensions resulting from Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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 |
|---------------------|----------------------------------|---------------------------------|
| 2020 | \$ 89,102 | \$ 57,500 |
| 2021 | 32,491 | 17,040 |
| 2022 | 14,961 | 38,953 |
| 2023 | 2,635 | 2,377 |

Municipal Police Division at June 30, 2019, the Village reported a liability of \$590,875 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Village's proportion was 0.0866%, which was increased 0.018% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Village recognized pension expense of \$78,585. At June 30, 2019 the Village reported deferred outflows of resources and deferred inflows of 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 | \$ 28,926 | \$ 58,571 |
| Net difference between projected and actual earnings on plan investments | 40,661 | - |
| Change in assumptions | 67,420 | 3,612 |
| Change in proportion and difference between Village contribution and proportionate share of contributions | 82,643 | 41,597 |
| Village's contribution subsequent to the measurement date | 38,829 | - |
| Totals | <u>\$ 258,479</u> | <u>\$ 103,780</u> |

\$38,829 reported as deferred outflows of resources related to pensions resulting from Village's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

| PERA | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2017 |
| 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 | 7.25% annual rate, net of investment expense |
| Projected benefit payment | 100 years |
| Payroll growth | 3% |
| Projected salary increases | 3.25% to 13.50% annual rate |
| Includes inflation at | 2.5% - 2.75%\$ all other years |
| Mortality Assumption | RP-2014 Mortality Tables with female ages set forward one year. Future improvements in mortality rates are assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty re |
| Experience Study Dates | July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 and July 1, 2010 through June 30, 2018 (economic). |

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and 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% | 7.48% |
| Risk Reduction & Mitigation | 21.50% | 2.37% |
| Credit Oriented Fixed Income | 15.00% | 5.47% |
| Real Assets to Include Real Estate Equity | 20.00% | 6.48% |
| Total | 100.00% | |

Discount rate:

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Village's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Village's proportionate share of net pension liability calculated using the discount rate of 7.25%, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

| Proportionate share of the net pension liability | 1% Decrease 6.25% | Current Discount 7.25% | 1% Increase 8.25% |
|---|----------------------|------------------------------|----------------------|
| Municipal General Division | \$ 1,056,432 | \$ 685,579 | \$ 379,010 |
| Municipal Police Division | \$ 908,524 | \$ 590,875 | \$ 331,916 |

Pension plan fiduciary net position.

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

Note 12 Post-Employment Benefits – State Retiree Health Care Plan

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the District has elected not to participate in the program. Information on the Retiree Health Care Act can be obtained at the Retiree Health Care, 4308 Carlisle Blvd. NE Ste 104, Albuquerque, NM 87109.

Note 13 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 14 Subsequent Review

The Village has evaluated subsequent events through November 5, 2019 which is the date the financial statements were available for issuance.

Note 15 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 16 Net Position Restatement

Net Position Governmental-type Activities was restated \$169,791 to correct the carrying value of the capital assets and \$122 to correct the carrying value of the long-term debt.

Required Supplementary Information

STATE OF NEW MEXICO
VILLAGE OF LOVING
Required Supplementary Information
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

Schedule of Proportionate Share of the Net Pension Liability

| | 2015 2014 | 2016 2015 | 2017 2016 | 2018 2017 | 2019 2018 |
|---|--------------|--------------|--------------|--------------|--------------|
| The District's proportion of the net pension liability (asset) | 0.11260% | 0.11700% | 0.12740% | 0.10890% | 0.12960% |
| The District's proportionate share of the net pension liability (asset) | \$ 535,996 | \$ 760,315 | \$ 1,306,285 | \$ 934,875 | \$ 1,276,454 |
| The District's covered-employee payroll | \$ 639,517 | \$ 515,903 | \$ 495,119 | \$ 576,184 | \$ 628,648 |
| The District'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% | 203.05% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.29% | 76.99% | 69.18% | 73.74% | 71.13% |

Share of Pension Contributions

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 58,704 | \$ 64,608 | \$ 60,496 | \$ 69,223 | \$ 84,707 |
| Contributions in relation to the contractually required contribution | 58,704 | 64,608 | 60,496 | 69,223 | 84,707 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| The District's covered-employee payroll | \$ 639,517 | \$ 515,903 | \$ 495,119 | \$ 576,184 | \$ 628,648 |
| Contributions as a percentage of covered-employee payroll | 9.18% | 12.52% | 12.22% | 12.01% | 13.47% |

Note: Employee contributions are not included in these schedules.

Notes to Required Supplementary Information
Year Ended June 30, 2019

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

* 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.

Supplementary Information Related to NonMajor Governmental Funds

Non-Major Special Revenue Funds

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, 2019

| | Emergency Medical Service 206 | Fire Protection 209 | Law Enforcement Protection 211 | Cemetery 600 | Totals |
|------------------------------------|-------------------------------------|------------------------|--------------------------------------|------------------|-------------------|
| <u>ASSETS</u> | | | | | |
| Cash in banks | \$ 1,042 | \$ 110,144 | \$ - | \$ 14,857 | \$ 126,043 |
| Accounts receivable | | | | | |
| Taxes | - | - | - | - | - |
| Other | - | - | - | 424 | 424 |
| | <u>1,042</u> | <u>110,144</u> | <u>-</u> | <u>15,281</u> | <u>126,467</u> |
| Total assets | <u>\$ 1,042</u> | <u>\$ 110,144</u> | <u>\$ -</u> | <u>\$ 15,281</u> | <u>\$ 126,467</u> |
| <u>LIABILITIES</u> | | | | | |
| Accounts payable | \$ - | \$ 484 | \$ - | \$ 153 | \$ 637 |
| Accrued wages payable | - | - | - | 71 | 71 |
| | <u>-</u> | <u>484</u> | <u>-</u> | <u>224</u> | <u>708</u> |
| Total liabilities | <u>-</u> | <u>484</u> | <u>-</u> | <u>224</u> | <u>708</u> |
| <u>FUND BALANCE</u> | | | | | |
| Restricted for | | | | | |
| Special revenue funds | <u>1,042</u> | <u>109,660</u> | <u>-</u> | <u>15,057</u> | <u>125,759</u> |
| Total fund balance | <u>1,042</u> | <u>109,660</u> | <u>-</u> | <u>15,057</u> | <u>125,759</u> |
| Total liabilities and fund balance | <u>\$ 1,042</u> | <u>\$ 110,144</u> | <u>\$ -</u> | <u>\$ 15,281</u> | <u>\$ 126,467</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, 2019

| | Emergency Medical Service 206 | Fire Protection 209 | Law Enforcement Protection 211 | Cemetery 600 | Totals |
|--|-------------------------------------|------------------------|--------------------------------------|------------------|-------------------|
| Revenues | | | | | |
| Gas tax | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest | - | - | - | - | - |
| Rents and royalties | - | - | - | 2,626 | 2,626 |
| Charges for services | - | - | - | 8,765 | 8,765 |
| Fines and penalties | - | - | - | - | - |
| Other | - | - | - | - | - |
| Local grants | - | - | - | - | - |
| Emergency medical service grant | - | - | - | - | - |
| Law enforcement protection fund grant | - | - | 21,800 | - | 21,800 |
| Fire allotment grant | - | 80,914 | - | - | 80,914 |
| State grants | - | - | - | - | - |
| Federal grants | - | - | - | - | - |
| Total revenues | - | 80,914 | 21,800 | 11,391 | 114,105 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | | | | | |
| Finance | - | - | - | - | - |
| Judicial | - | - | - | - | - |
| Public safety | 1,832 | 31,083 | - | - | 32,915 |
| Public works | - | - | - | - | - |
| Culture and recreation | - | - | - | - | - |
| Health and welfare | - | - | - | 12,642 | 12,642 |
| Capital outlay | - | 14,534 | 21,800 | - | 36,334 |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | 1,832 | 45,617 | 21,800 | 12,642 | 81,891 |
| Excess (deficiency) of revenues over expenditures | (1,832) | 35,297 | - | (1,251) | 32,214 |
| Other financing sources (uses) | | | | | |
| Reimbursed unallowed expense | - | - | - | - | - |
| Operating transfers (net) | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balances | (1,832) | 35,297 | - | (1,251) | 32,214 |
| Fund balances, beginning | 2,874 | 74,363 | - | 16,308 | 93,545 |
| Fund balances, ending | <u>\$ 1,042</u> | <u>\$ 109,660</u> | <u>\$ -</u> | <u>\$ 15,057</u> | <u>\$ 125,759</u> |

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

STATE OF NEW MEXICO
VILLAGE OF LOVING
Enterprise Fund - Water Fund - 501
Statement of Revenues, Expenses, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|-------------------|-------------------|-------------------|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services | \$ 391,650 | \$ 416,780 | \$ 415,813 | \$ (967) |
| Total revenues | <u>391,650</u> | <u>416,780</u> | <u>415,813</u> | <u>(967)</u> |
| Expenses | | | | |
| Current | | | | |
| Public works | 123,575 | 180,861 | 177,044 | 3,817 |
| Personal | <u>239,786</u> | <u>250,676</u> | <u>241,720</u> | <u>8,956</u> |
| Total expenses | <u>363,361</u> | <u>431,537</u> | <u>418,764</u> | <u>12,773</u> |
| Excess (deficiency) revenues over (under) expenses | 28,289 | (14,757) | (2,951) | 11,806 |
| Other financing sources (uses) | | | | |
| Gross receipts tax environmental | - | - | - | - |
| Gas tax | - | - | - | - |
| Net meter deposits | 1,377 | 1,377 | 1,378 | 1 |
| Interest | - | - | 1,398 | 1,398 |
| Penalties | 12,250 | 13,675 | 13,676 | 1 |
| Install fees | 250 | 250 | 177 | 73 |
| Rent | 4,800 | 4,800 | 4,400 | 400 |
| Other income (expense) | - | 33,053 | 29,345 | 3,708 |
| State grant | 153,430 | 153,430 | 134,194 | 19,236 |
| Capital outlay | (191,430) | (267,919) | (224,067) | 43,852 |
| Note payment | (6,594) | (6,594) | (6,593) | 1 |
| Operating transfers (net) | 75,188 | 75,188 | 67,239 | 7,949 |
| Designated cash | - | - | - | - |
| Total other financing sources (uses) | <u>49,271</u> | <u>7,260</u> | <u>21,147</u> | <u>13,887</u> |
| Net change in cash balances | 77,560 | (7,497) | 18,196 | 25,693 |
| Cash balance, beginning | - | - | 549,810 | 549,810 |
| Cash balance, ending | <u>\$ 77,560</u> | <u>\$ (7,497)</u> | <u>\$ 568,006</u> | <u>\$ 575,503</u> |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ 18,196 | |
| Adjustment to revenues for accruals and other deferrals | | | (6,953) | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | <u>55,406</u> | |
| Net change in fund balance (GAAP Basis) | | | <u>\$ 66,649</u> | |

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, 2019

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|-----------|------------|------------|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services | \$ 80,400 | \$ 89,557 | \$ 89,558 | \$ 1 |
| Total revenues | 80,400 | 89,557 | 89,558 | 1 |
| Expenses | | | | |
| Current | | | | |
| Public works | 27,100 | 64,179 | 67,329 | (3,150) |
| Personal | 84,071 | 86,889 | 79,839 | 7,050 |
| Total expenses | 111,171 | 151,068 | 147,168 | 3,900 |
| Excess (deficiency) revenues over (under) expenses | (30,771) | (61,511) | (57,610) | 3,901 |
| Other financing sources (uses) | | | | |
| Gross receipts tax environmental | 47,300 | 116,135 | 116,136 | 1 |
| Gas tax | - | - | - | - |
| Net meter deposits | - | - | - | - |
| Interest | - | - | - | - |
| Penalties | - | - | - | - |
| Install fees | - | - | - | - |
| Rent | - | - | - | - |
| Other income (expenses) | - | - | - | - |
| State grant | - | - | - | - |
| Capital outlay | (196,584) | (196,584) | (196,189) | 395 |
| Note payment | - | - | - | - |
| Operating transfers (net) | 146,584 | 146,584 | 146,584 | - |
| Designated cash | - | - | - | - |
| Total other financing sources (uses) | (2,700) | 66,135 | 66,531 | 396 |
| Net change in cash balances | (33,471) | 4,624 | 8,921 | 4,297 |
| Cash balance, beginning | - | - | 169,997 | 169,997 |
| Cash balance, ending | \$ - | \$ - | \$ 178,918 | \$ 178,918 |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ 8,921 | |
| Adjustment to revenues for accruals and other deferrals | | | 20 | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | 170,225 | |
| Net change in fund balance (GAAP Basis) | | | \$ 179,166 | |

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, 2019

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|-----------------------------------|------------------------------|------------------|-------------------|---------------------------|
| <u>ASSETS</u> | | | | |
| Municipal court fund | \$ 1,408 | \$ 4,423 | \$ - | \$ 5,831 |
| Total assets | <u>\$ 1,408</u> | <u>\$ 4,423</u> | <u>\$ -</u> | <u>\$ 5,831</u> |
| <u>LIABILITIES</u> | | | | |
| Funds handled on behalf of others | \$ 1,408 | \$ 4,423 | \$ - | \$ 5,831 |
| Total liabilities | <u>\$ 1,408</u> | <u>\$ 4,423</u> | <u>\$ -</u> | <u>\$ 5,831</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, 2019

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 | \$ 9,668,829 | \$ 32,771 | \$ (248,804) | \$ 9,452,796 |
| | Municipal Street | 1 | 148,163 | - | - | 148,163 |
| | Correction | 1 | 78,345 | - | - | 78,345 |
| | EMS | 1 | 1,042 | - | - | 1,042 |
| | General Fund | 3 | 187,408 | - | - | 187,408 |
| | General Fund | 3 | 4,635 | - | - | 4,635 |
| | General Fund - CDBG | 1 | 200 | - | - | 200 |
| | General Fund - Motor Vehicle Division | 1 | 9,588 | 861 | (10,449) | - |
| | Fire Fund | 1 | 110,144 | - | - | 110,144 |
| | Cemetery Fund | 1 | 15,673 | - | (816) | 14,857 |
| | Total | | <u>10,224,027</u> | <u>33,632</u> | <u>(260,069)</u> | <u>9,997,590</u> |
| Business-type Activities | | | | | | |
| | Joint Water | 1 | 491,410 | 67,239 | (43,989) | 514,660 |
| | Solid Waste Disposal | 1 | 184,443 | 4,022 | (9,547) | 178,918 |
| | Water Deposits | 1 | 44,450 | 300 | (637) | 44,113 |
| | Water Loan Reserve | 2 | 9,233 | - | - | 9,233 |
| | Total | | <u>729,536</u> | <u>71,561</u> | <u>(54,173)</u> | <u>746,924</u> |
| | Total Net Position Cash | | 10,953,563 | 105,193 | (314,242) | 10,744,514 |
| Agency Fund | | | | | | |
| | Municipal Court | 1 | 5,831 | - | - | 5,831 |
| | Total | | <u>5,831</u> | <u>-</u> | <u>-</u> | <u>5,831</u> |
| | Total Western Commerce Bank | | <u>10,959,394</u> | <u>105,193</u> | <u>(314,242)</u> | <u>10,750,345</u> |
| New Mexico Finance Authority | | | | | | |
| | State Treasurer D/S | 4 | 4,730 | - | - | 4,730 |
| | Total New Mexico Finance Authority | | <u>4,730</u> | <u>-</u> | <u>-</u> | <u>4,730</u> |
| | Total All Accounts | | <u>\$ 10,964,124</u> | <u>\$ 105,193</u> | <u>\$ (314,242)</u> | <u>\$ 10,755,075</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

Sandra Rush

Certified Public Accountant PC

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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*

Brian Colón
New Mexico State Auditor
The Governing Board
Village of Loving
Loving, New Mexico

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, 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, 2019, 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 November 5, 2019.

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. The results of my tests disclosed no instances to be material weaknesses that are required to be reported under *Government Auditing Standards*.

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 items to be significant deficiencies. 2019-001 and 2019-002

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 items 2019-001 and 2019-002

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

Sandra Rush CPA PC

Clovis, New Mexico

November 5, 2019

Summary of Audit Results

| | |
|--|------------|
| Type of auditor's report issued: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified | None noted |
| • Significant deficiency(ies) identified that are not considered to be material weaknesses | 2 |
| • Noncompliance material to financial statements noted | None noted |

Prior Year Audit Finding

| | |
|---|--------------------|
| 2018-001 Bank Reconciliation Preparation | Revised & Repeated |
| 2018-002 Public Employees Retirement Act (PERA) | Resolved |
| 2018-003 Annual Inventory and Certification | Revised & Repeated |

Current Year Audit Finding

2019-001 (2018-001) Bank Reconciliation Preparation Significant Deficiency / Other Compliance

Condition:

During the cash test work, it was discovered the bank reconciliations are not always prepared timely. A sample of 36 reconciliations revealed 21 were not prepared timely. Limited progress has been made correcting this finding.

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 deputy village clerk will be charged with reconciling bank statements in a timely manner. The village clerk-treasurer will then review the bank reconciliations for accuracy and will sign off on the document itself.

Employee Responsible: Clerk
 Time Frame: FY 6.2020

2019-002 (2018-003) Annual Inventory and Certification

Significant Deficiency / Other Compliance

Condition

The Village did not perform a physical inventory of capital assets for the year ended June 30, 2019. Also, the Village failed to obtain a certification from the council as required by 12-6-10 NMAC 1978. No progress has been made correcting this finding.

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 physical inventory of capital fixed assets as of June 30, 2019 was completed late after the end of the fiscal year and will be presented for certification by the village council at their December 10, 2019 regular meeting.

Employee Responsible: Clerk

Time Frame: FY 6.2020

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 November 5, 2019.