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**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS**

**Financial Statements  
for the Year Ended  
June 30, 2008,  
and Independent  
Auditors' Report**



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**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS**

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Year Ended June 30, 2008

**Mayor**

Louis F. Huning

**Mayor Pro-Tem**

Gerard Saiz

**Council**

Cecilia "CC" Castillo  
Charles Griego  
Robert Vialpando

**Village Administrator**

Phillip Jaramillo

**Finance Officer**

Monica Clarke

## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Los Lunas and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the accompanying basic financial statements consisting of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Los Lunas, New Mexico (the Village) as of and for the year ended June 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity

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Village Council  
Village of Los Lunas and  
Mr. Hector Balderas  
New Mexico State Auditor

with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and non-major enterprise fund of the Village as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, and the budget comparisons for the non-major governmental and enterprise funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 5 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as other supplementary schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements, including the Financial Data Schedule and the Schedule of Changes in Assets and Liabilities of Agency Funds. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Village Council  
Village of Los Lunas and  
Mr. Hector Balderas  
New Mexico State Auditor

*Meyers + Company, LLC*

November 26, 2008

**Management's Discussion and Analysis – June 30, 2008**

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The State of New Mexico Village of Los Lunas' (the Village) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Village's financial activity, identify changes in the Village's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the transmittal letter at the front of this report and the Village's financial statements and notes which follow this section.

**Financial Highlights**

- The Village's governmental net assets were \$51,240,731 for fiscal year 2008.
- The Village's governmental program revenues were \$5,412,941 for fiscal year 2008.
- The total cost of all Village governmental programs was \$16,921,049.

**Using This Annual Report**

The focus of this report is on both the Village (government-wide) and the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the Village is one of several agencies within the State of New Mexico Government, the primary Government focus in this financial report is the Village and not the State of New Mexico as a whole.

**Management's Discussion and Analysis**

The MD&A should provide an objective and easily readable analysis of the Village's financial activities based on currently known facts, decisions or conditions. It should provide an analysis of the Village's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, including budgetary comparison information, in addition to the basic financial statements themselves.



Management's Discussion and Analysis – June 30, 2008 - continued

**Overview of the Financial Statements - continued**

**Government-wide Financial Statements.** The government-wide financial statements include a combined balance sheet with all government funds and account types. In addition, a combined statement of revenues and expenditures for government activities and business activities is included.

The combined balance sheet contains the underlying information needed for the statement of net assets, which reports all financial and capital resources. The statement of net assets presents information on all of the Village's assets and liabilities using the accrual basis of accounting, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may determine whether the financial position of the Village is improving or deteriorating.

The combined statement of revenues and expenses illustrates the statement of activities for the Village. The statement of activities presents information that illustrates how the Village's net assets changed during the most recent fiscal year. Again, revenues and expenses are recorded using the accrual basis of accounting. The statement of activities includes revenue from governmental activities as well as business-type activities.

The Village of Los Lunas, also known as the primary government, is predominantly financed through taxes, intergovernmental revenues and other non-exchange revenues. More specifically, these governmental activities include general government, public safety, streets, vehicle maintenance and culture and recreation. These governmental activities are classified and reported in governmental funds and special revenue funds. The business-type activities are financed primarily from user fees charged to external parties for goods or services. These activities are reported in enterprise funds in the financial statements. The Village's business-type activities include water and sewer systems, refuse, and transportation (transit) services.

The government-wide financial statements can be found on pages 16 through 18 of this report.

**Fund Financial Statements.** The Village accounts for its finances through several distinct fiscal and accounting entities called funds. Like other state and local governments, the Village uses fund accounting to comply with state statutes regarding all finance-related transactions.

The Village has created its respective funds to establish a measure of flow from financial resources and/or to determine net income or net loss. These funds allow the Village to manage its finances more effectively and more efficiently. The Village maintains the following categories of fund types: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds**

Most of the Village's services are included in governmental funds, which focus on (a) how cash and other financial assets that can be readily converted to cash flow in and out, and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the Village's general government operations and the basic services it provides. This financial information is useful

**Management's Discussion and Analysis – June 30, 2008 - continued**

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**Overview of the Financial Statements - continued**

**Fund Financial Statements - continued**

**Governmental Funds - continued**

in determining whether or not there are sufficient financial assets to provide funding for the Village's current programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities. The governmental funds for the Village include General Fund, Special Revenue Funds, Debt Services Funds and Capital Projects Funds.

**Proprietary Funds**

Proprietary or enterprise funds are used to account for activities similar to those in the private sector, and focus on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets the Statement of Activities. In fact, the Village's enterprise funds are the same as the business-type activities that are reported in the government-wide statements; however, the financial statements for the Proprietary funds provide more details with regard to cash flows for proprietary funds. The Village's intent is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges. The Village has the following enterprise funds: Water and Sewer Fund, Solid Waste Fund and Transportation Fund.

**Fiduciary Funds**

Fiduciary or agency fund reporting focuses on assets and liabilities that are held in a trustee or agency capacity for other government agencies, and therefore cannot be used to support the Village's own programs. Consequently, the fiduciary funds are not reflected in the government-wide financial statement for the reason that their resources are not available to the Village. Agency funds are accounted for using the modified accrual basis of accounting. The basic fiduciary fund financial statements can be found in this report.

**Notes to the Financial Statements**

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

Management's Discussion and Analysis – June 30, 2008 - continued

Financial Analysis of the Village as a Whole

**Net Assets**

Table A-1 summarizes the Village's net assets for the fiscal year ending June 30, 2008.

**Table A-1  
The Village's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 16,852,195	17,236,735	3,971,014	6,769,145	20,823,209	24,005,880
Capital and non-current assets	<u>48,146,665</u>	<u>43,980,015</u>	<u>42,626,307</u>	<u>34,382,019</u>	<u>90,772,972</u>	<u>78,362,034</u>
Total assets	<u>64,998,860</u>	<u>61,216,750</u>	<u>46,597,321</u>	<u>41,151,164</u>	<u>111,596,181</u>	<u>102,367,914</u>
Current liabilities	3,185,813	1,373,116	1,907,701	1,679,005	5,093,514	3,052,121
Long-term liabilities	<u>10,572,316</u>	<u>10,699,534</u>	<u>11,762,856</u>	<u>10,527,245</u>	<u>22,335,172</u>	<u>21,226,779</u>
Total liabilities	13,758,129	12,072,650	13,670,557	12,206,250	27,428,686	24,278,900
Net Assets:						
Invested in capital assets, net of related debt and unspent bond proceeds	37,398,416	32,605,362	31,733,518	23,168,346	69,131,934	55,773,708
Restricted	16,622,718	5,918,156	-	-	16,622,718	5,918,156
Unrestricted	<u>(2,780,403)</u>	<u>10,620,582</u>	<u>1,193,246</u>	<u>5,776,568</u>	<u>(1,587,157)</u>	<u>16,397,150</u>
Total net assets	<u>51,240,731</u>	<u>49,144,100</u>	<u>32,926,764</u>	<u>28,944,914</u>	<u>84,167,495</u>	<u>78,089,014</u>
Total liabilities and net assets	\$ <u>64,998,860</u>	<u>61,216,750</u>	<u>46,597,321</u>	<u>41,151,164</u>	<u>111,596,181</u>	<u>102,367,914</u>

For the fiscal year ending June 30, 2008, the Village had \$48,146,665 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and water sewer lines. This amount represents an increase over last year. Capital assets (net of accumulated depreciation) make up 74% of the Village's total assets from governmental activities. The Village utilized these assets to provide services to its citizens; therefore, these assets are not available for future spending.

Management's Discussion and Analysis – June 30, 2008 - continued

**Financial Analysis Of The Village As A Whole - continued**

In fiscal year 2008, the net assets from the Village's governmental funds increased by 5% over the prior fiscal year. The Village's gross receipts tax and property taxes had a 20% increase over last year's reported revenue. This increase represents a strong economic growth in our community and a healthy financial position.

For fiscal year 2008, there are no restricted net assets; restricted net assets are mainly for capital projects and special purposes. Net asset categories benefited from increased economic activity, which resulted in budgeted revenues being exceeded by actual revenues.

In 2008, the net assets of our business-type activities increased 14% over the prior fiscal year. This increase is due to capital assets that were added to the Village's inventory for fiscal year 2008. With this increase, the Village continues to maintain a strong net asset position. The Village generally can only use these net assets to finance the continuing operations of the water, sewer, refuse and transportation services.

Consequently, in evaluating the operating performance of an agency, the rate of return on assets is probably one of the most useful tools in measuring a firm's profitability and efficiency.

**Debt**

At year end, the Village had approximately \$10,572,316 in bonds, notes and capital leases outstanding for governmental activities.

The Village of Los Lunas currently has two service bonds included in governmental activities, which are described below:

1. Gross Receipts Tax Improvement Revenue Bonds, Series 2003A, April 2003, \$5,175,000.
2. Gross Receipts Tax Improvement Revenue Bonds, Series 2003B, April 2003, \$4,565,000.

The purpose of this issue was to defray the cost to 1) refund the Village's Gross Receipts Tax Refunding Revenue Bonds, Series 1993, and the Village's Infrastructure Fund Gross Receipts Tax Revenue Bonds, Series 1995, 2) acquire, extend, enlarge, better, repair, otherwise improve or maintain sanitary sewers, sewage treatment plants or water utilities, including but not necessarily limited to the acquisition of rights of way and water and water rights, or any combination of the foregoing, 3) construct, purchase, furnish, equip, rehabilitate, make additions to or make improvements to public buildings, 4) purchase, acquire or rehabilitate fire-fighting equipment or any combination of the foregoing, 5) acquire, construct, purchase, equip, furnish, make additions to, renovate, rehabilitate, beautify or otherwise improve public parking or recreational facilities, and 6) cover all costs incidental to the foregoing and incidental to the issuance of the Bonds.

Management's Discussion and Analysis – June 30, 2008 - continued

**Financial Analysis Of The Village As A Whole - continued**

There was no new debt issued for fiscal year 2008 for governmental activities. For business-related activities, there was new debt issued in the amount of \$1,263,033, for the purpose of a clean water project revolving loan.

The major debt of the Village associated with governmental activities as well as business-type activities continues to be for capital projects. Other obligations include accrued vacation pay.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its governmental activities.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS**

**Management's Discussion and Analysis – June 30, 2008 - continued**

**Financial Analysis Of The Village As A Whole - continued**

**Changes in Net Assets**

Table A-2 summarizes the Village's changes in net assets for fiscal year 2008.

**Table A-2  
Changes in the Village's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,965,662	2,575,396	8,982,702	9,186,595	10,948,364	11,761,991
Operating grants & contributions	3,391,351	3,059,505	-	332,501	3,391,351	3,392,006
Capital grants & contributions	55,928	980,714	-	79,065	55,928	1,059,779
General revenues:						
Property taxes	1,698,354	1,415,377	-	-	1,698,354	1,415,377
Other taxes	11,542,823	12,084,224	-	316,618	11,542,823	12,400,842
Miscellaneous	252,715	408,913	2,965,623	35,788	3,218,338	444,701
Interest & other revenues	489,803	564,029	-	285,633	489,803	849,662
Total revenues	19,396,636	21,088,158	11,948,325	10,236,200	31,344,961	31,324,358
Expenses:						
General government	4,616,171	3,526,326	-	-	4,616,171	3,526,326
Public safety	4,952,437	4,082,218	-	-	4,952,437	4,082,218
Highways & streets	3,659,552	3,190,585	-	-	3,659,552	3,190,585
Culture & recreation	2,222,648	1,722,019	-	-	2,222,648	1,722,019
Health & welfare	1,161,170	1,815,308	-	-	1,161,170	1,815,308
Interest on long-term debt	309,071	343,578	89,812	-	398,883	-
Water/sewer	-	-	4,703,823	4,176,828	4,703,823	4,520,406
Solid waste	-	-	2,630,973	1,689,835	2,630,973	1,689,835
Transportation	-	-	669,849	623,106	669,849	623,106
Total expenses	16,921,049	14,680,034	8,094,457	6,489,769	25,015,506	21,169,803
Net revenues (loss) before transfers	2,475,587	6,408,124	3,853,868	3,746,431	6,329,455	10,154,555
Transfers	(149,225)	(211,497)	20,006	(4,073)	(129,219)	(215,570)
Disposition of capital asset	(9,847)	(10,007)	-	-	(9,847)	(10,007)
Increase in net assets	2,316,515	6,186,620	3,873,874	3,742,358	6,190,389	9,928,978
Net assets, beginning of year, restated	48,924,216	42,957,480	29,052,890	25,202,556	77,977,106	68,160,036
Net assets, end of year	\$ 51,240,731	49,144,100	32,926,764	28,944,914	84,167,495	78,089,014

Management's Discussion and Analysis – June 30, 2008 - continued

**Financial Analysis of the Village's Funds**

The Village's proprietary funds provide the same type of information found in government-wide financial statements, but in more detail. The business-type activities have demonstrated sufficient revenue and sufficient cash flow to guarantee that all expenditures, including long-term debt, will be paid in a timely manner.

There were no significant or unexpected transactions in the Village's governmental funds.

**Budget**

For the General Fund Budget, total revenues budgeted were \$20,952,513 and actual revenues received were \$16,218,715, which is a negative variance of approximately \$4,733,798. In addition, the total General Fund expense budget was \$24,154,512 and actual expenditures were \$16,003,804, which is a positive variance of approximately \$8,150,672.

There were no significant differences between the original and final budgeted revenue amounts for the General Fund. The expenditures increased by approximately \$704,801 from the original to the final budget, due mainly to projected increases in public safety and culture and recreation.

**Management's Discussion and Analysis – June 30, 2008 - continued**

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**Progress Highlights for Fiscal Year 2009**

- 100 water rights transfers, 3,336 acre feet diversion, value = \$25 million \* (\*note: in total and not for a single year)
- Obtained Police Department mobile crime unit
- Completed "Rail Runner" station
- 9<sup>th</sup> Certificate of Achievement for Outstanding Development and Preparation of the Governmental Operating Budget
- Implemented Phase II of Village wide wireless network system
- Hired 3 "Certified" and 6 "Uncertified" police officers
- Annexed 1,525 acres of open space
- Implemented enhanced online web information for Municipal Court
- Implemented Radio Frequency ID system at Library and increased Library circulation by 23%
- Completed purchase order/requisitions program with the Village's financial system
- Adopted new water ordinance to help protect Village's water supply
- Adopted new comprehensive personnel ordinance and fireworks ordinance
- Installed new oil supply system within the Vehicle Maintenance shop
- Completed north Los Lentos road improvements (Main Street to Highway 314)
- Repaved Senior Center parking lot
- Completed road improvements (i.e. pavement and sidewalks) on eight streets
- Established Valencia County Emergency Communication Center, which the Village of Los Lunas is the fiscal agents for

**Economic Factors and Next Year's Budget and Rates**

The Village's largest revenue source, gross receipts taxes, should remain constant for fiscal year 2009.

The coming year will continue to present many challenges for the Village of Los Lunas. The adopted budget for fiscal year 2009 will accomplish the major priorities that the Village Council, staff and many citizens have identified. Sound fiscal and comprehensive planning will enable the Village to enter the next year in a strong financial position.



**Management's Discussion and Analysis – June 30, 2008 - continued**

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**Requests for Information**

This financial report is designed to provide a general overview of the Village's financial position for all those interested in our government finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Finance Officer  
Village of Los Lunas  
P.O. Box 1209  
Los Lunas, New Mexico 87031

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Net Assets

AS OF JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and equivalents	\$ 7,272,679	(613,526)	6,659,153
Restricted cash	-	128,105	128,105
Investments	8,515,000	1,650,000	10,165,000
Receivables	1,064,516	1,586,917	2,651,433
Internal balances	-	1,188,650	1,188,650
Inventories	-	30,868	30,868
Capital assets:			
Capital assets	81,131,274	61,252,874	142,384,148
Less accumulated depreciation	<u>(32,984,609)</u>	<u>(18,626,567)</u>	<u>(51,611,176)</u>
Total capital assets	<u>48,146,665</u>	<u>42,626,307</u>	<u>90,772,972</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>64,998,860</u></b>	<b><u>46,597,321</u></b>	<b><u>111,596,181</u></b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 535,546	544,291	1,079,837
Accrued payroll expenses	326,141	60,186	386,327
Customer deposits	-	208,105	208,105
Due to other funds	1,188,650	-	1,188,650
Accrued interest	-	1,656	1,656
Long-term liabilities:			
Due within one year:			
Bonds, notes, capital leases and compensated absences	1,135,476	1,093,463	2,228,939
Due in more than one year:			
Bonds, notes and capital leases	9,998,241	10,892,789	20,891,030
Compensated absences	39,516	10,107	49,623
Post-closure landfill costs	-	859,960	859,960
Net other postemployment benefits obligation	<u>534,559</u>	<u>-</u>	<u>534,559</u>
<b>TOTAL LIABILITIES</b>	<b>13,758,129</b>	<b>13,670,557</b>	<b>27,428,686</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	37,398,416	31,733,518	69,131,934
Restricted for:			
Capital projects	5,449,485	-	5,449,485
Debt service	11,173,233	-	11,173,233
Unrestricted	<u>(2,780,403)</u>	<u>1,193,246</u>	<u>(1,587,157)</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>51,240,731</u></b>	<b><u>32,926,764</u></b>	<b><u>84,167,495</u></b>

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**YEAR ENDED JUNE 30, 2008**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>
<b>PRIMARY GOVERNMENT:</b>		
<b>GOVERNMENTAL ACTIVITIES:</b>		
General Government	\$ 4,616,171	1,764,812
Public Safety	4,952,437	85,725
Public Works	3,659,552	-
Health, Welfare and Sanitation	1,161,170	24,902
Culture and Recreation	2,222,648	90,223
Interest on Long-term debt	<u>309,071</u>	<u>-</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>16,921,049</b>	<b>1,965,662</b>
<b>BUSINESS-TYPE ACTIVITIES</b>		
Water Sewer	4,703,823	7,258,630
Solid Waste	2,630,973	1,477,800
Transportation	<u>669,849</u>	<u>246,272</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>8,004,645</u></b>	<b><u>8,982,702</u></b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ <u>24,925,694</u></b>	<b><u>10,948,364</u></b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Activities

Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
1,587,677	55,928	(1,207,754)	-	(1,207,754)
155,758	-	(4,710,954)	-	(4,710,954)
472,174	-	(3,187,378)	-	(3,187,378)
1,175,742	-	39,474	-	39,474
-	-	(2,132,425)	-	(2,132,425)
-	-	(309,071)	-	(309,071)
3,391,351	55,928	(11,508,108)	-	(11,508,108)
-	-	-	2,554,807	2,554,807
-	-	-	(1,153,173)	(1,153,173)
-	-	-	(423,577)	(423,577)
-	-	-	978,057	978,057
<u>3,391,351</u>	<u>55,928</u>	<u>(11,508,108)</u>	<u>978,057</u>	<u>(10,530,051)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes		1,698,354	-	1,698,354
Franchise taxes		346,304	-	346,304
Sales taxes		11,196,519	-	11,196,519
Disposition of capital assets		(9,847)	-	(9,847)
Unrestricted investment earnings (expense)		489,803	(89,812)	399,991
Miscellaneous		252,715	2,965,623	3,218,338
Transfers		(149,225)	20,006	(129,219)
Total general revenues, special items, and transfers		<u>13,824,623</u>	<u>2,895,817</u>	<u>16,720,440</u>
Change in net assets		2,316,515	3,873,874	6,190,389
Net assets - beginning		49,144,100	28,944,914	78,089,014
Restatement		(219,884)	107,976	(111,908)
Net assets - beginning, restated		<u>48,924,216</u>	<u>29,052,890</u>	<u>77,977,106</u>
Net assets - ending	\$	<u>51,240,731</u>	<u>32,926,764</u>	<u>84,167,495</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

**Balance Sheet - Governmental Funds**

AS OF JUNE 30, 2008

	<u>General Fund</u>	<u>Infrastructure Fund</u>	<u>2003 Bond Acquisition</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 5,548,944	456,126	-	1,267,609	7,272,679
Investments	3,415,000	-	5,000,000	100,000	8,515,000
Due from other funds	-	-	-	25,474	25,474
Receivable from other governments	-	-	-	12,068	12,068
Other receivables	<u>855,084</u>	<u>171,033</u>	<u>-</u>	<u>26,331</u>	<u>1,052,448</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>9,819,028</u></b>	<b><u>627,159</u></b>	<b><u>5,000,000</u></b>	<b><u>1,431,482</u></b>	<b><u>16,877,669</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 466,925	-	-	68,621	535,546
Due to other funds	1,214,124	-	-	-	1,214,124
Accrued payroll expenses	<u>308,210</u>	<u>-</u>	<u>-</u>	<u>17,931</u>	<u>326,141</u>
<b>TOTAL LIABILITIES</b>	<b>1,989,259</b>	<b>-</b>	<b>-</b>	<b>86,552</b>	<b>2,075,811</b>
<b>FUND BALANCES:</b>					
Reserved for:					
Debt service	-	-	-	235,998	235,998
Capital projects	-	627,160	5,000,000	348,941	5,976,101
Unreserved	7,829,769	-	-	-	7,829,769
Unreserved, reported in non-major	<u>-</u>	<u>-</u>	<u>-</u>	<u>759,991</u>	<u>759,991</u>
<b>TOTAL FUND BALANCES</b>	<b><u>7,829,769</u></b>	<b><u>627,160</u></b>	<b><u>5,000,000</u></b>	<b><u>1,344,930</u></b>	<b><u>14,801,859</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>9,819,028</u></b>	<b><u>627,160</u></b>	<b><u>5,000,000</u></b>	<b><u>1,431,482</u></b>	<b><u>16,877,670</u></b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

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YEAR ENDED JUNE 30, 2008

Total Fund Balance - Governmental Funds  
(Governmental Funds Balance Sheet) \$ 14,801,858

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

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

The cost of capital assets is: 81,131,274  
Accumulated depreciation is: (32,984,609)

Total capital assets 48,146,665

Long-term and certain other liabilities, including bonds payable,  
are not due and payable in the current period and therefore are  
not reported as liabilities in the funds.

Long-term and other liabilities at year end consist of:

Debt (bonds, notes and capital leases) (10,748,069)  
Compensated absences payable (425,164)

Total long-term and other liabilities (11,173,233)

There was no liability recorded for the year ended June 30, 2007  
related to postemployment benefits obligation. The obligation  
is recorded for the year ended June 30, 2008. (534,559)

Net assets of governmental activities (Statement of Net Assets) \$ 51,240,731

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds

YEAR ENDED JUNE 30, 2008

	General Fund	Infrastructure Fund	2003 Bond Acquisition	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Sales and miscellaneous taxes	\$ 10,929,818	1,938,552	-	372,807	13,241,177
Fees and fines	143,278	-	-	-	143,278
Licenses and permits	271,870	-	-	-	271,870
Intergovernmental	1,377,130	450,220	-	1,811,048	3,638,398
Charges for services	1,176,700	-	-	182,696	1,359,396
Investment earnings	269,267	161,233	-	59,303	489,803
Miscellaneous	<u>230,762</u>	<u>-</u>	<u>-</u>	<u>21,954</u>	<u>252,716</u>
<b>TOTAL REVENUES</b>	<b>14,398,825</b>	<b>2,550,005</b>	<b>-</b>	<b>2,447,808</b>	<b>19,396,638</b>
<b>EXPENDITURES:</b>					
Current:					
General government	3,460,895	-	-	155,227	3,616,122
Public Safety	4,278,889	-	-	450,341	4,729,230
Public Works	826,617	-	-	107,172	933,789
Health and sanitation	54,905	-	-	1,085,040	1,139,945
Culture and recreation	2,132,921	-	-	69,593	2,202,514
Debt Service:					
Principal	75,575	-	-	551,009	626,584
Interest and other charges	-	-	-	309,071	309,071
Capital outlay	<u>5,575,717</u>	<u>1,726,659</u>	<u>-</u>	<u>268,978</u>	<u>7,571,354</u>
<b>TOTAL EXPENDITURES</b>	<b>16,405,519</b>	<b>1,726,659</b>	<b>-</b>	<b>2,996,431</b>	<b>21,128,609</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,006,694)</b>	<b>823,346</b>	<b>-</b>	<b>(548,623)</b>	<b>(1,731,971)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Reversions to State General Fund - FY2008	-	-	-	(7,440)	(7,440)
Proceeds from long-term debt, net	-	-	-	-	-
Transfers in	29,697	-	-	823,686	853,383
Transfers out	<u>(370,585)</u>	<u>(624,005)</u>	<u>-</u>	<u>(578)</u>	<u>(995,168)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(340,888)</b>	<b>(624,005)</b>	<b>-</b>	<b>815,668</b>	<b>(149,225)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,347,582)</b>	<b>199,341</b>	<b>-</b>	<b>267,045</b>	<b>(1,881,196)</b>
<b>FUND BALANCES, June 30, 2007</b>	<b>10,405,352</b>	<b>427,818</b>	<b>5,000,000</b>	<b>1,069,768</b>	<b>16,902,938</b>
<b>RESTATEMENTS</b>	<u>(228,001)</u>	<u>-</u>	<u>-</u>	<u>8,117</u>	<u>(219,884)</u>
<b>FUND BALANCES, June 30, 2007, restated</b>	<b>10,177,351</b>	<b>427,818</b>	<b>5,000,000</b>	<b>1,077,885</b>	<b>16,683,054</b>
<b>FUND BALANCES, June 30, 2008</b>	<b>\$ <u>7,829,769</u></b>	<b><u>627,159</u></b>	<b><u>5,000,000</u></b>	<b><u>1,344,930</u></b>	<b><u>14,801,858</u></b>



STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

YEAR ENDED JUNE 30, 2008

Net Changes in Fund Balances - Total Governmental Funds

(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (1,881,196)

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

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) - are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The total increase in the liability for the fiscal year was:

Total payable	(425,164)
Fund level total - prior year	<u>364,200</u>
Net change	(60,964)

Debt proceeds provided current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Debt payments	626,584
Debt proceeds	-

In the Statement of Activities, only the gain on the disposition of vehicles is reported, while in governmental funds, the benefit of the disposition decreases financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the vehicles sold.

There was no liability recorded for the year ended June 30, 2007 related to postemployment benefits obligation. The obligation is recorded for the year ended June 30, 2008.

(534,559)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Additionally, there was a transfer of capital assets between the general fund and two enterprise funds. In the current funds, the transfer for the general fund is recorded in the Statement of Activities. In the current period, these amounts were:

Disposition of capital assets	(9,847)
Capital outlay	7,571,354
Depreciation expense	<u>(3,394,857)</u>

Excess of capital outlay over depreciation expense	<u>4,166,650</u>
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Change in net assets of governmental activities (Statement of Activities)	\$ <u><u>2,316,515</u></u>
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STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Non-GAAP Basis)

YEAR ENDED JUNE 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 11,200,564	11,200,564	11,891,095	690,531
Licenses and permits	543,630	543,630	271,870	(271,760)
Intergovernmental	6,864,542	6,864,542	2,172,156	(4,692,386)
Governmental grants	83,325	130,329	65,058	(65,271)
Charges for services	1,726,801	1,726,801	1,365,106	(361,695)
Fines and forfeitures	174,063	174,063	143,278	(30,785)
Miscellaneous	54,693	86,099	42,355	(43,744)
Interest	<u>226,485</u>	<u>226,485</u>	<u>267,797</u>	<u>41,312</u>
<b>TOTAL REVENUES</b>	<b>\$ <u>20,874,103</u></b>	<b><u>20,952,513</u></b>	<b><u>16,218,715</u></b>	<b><u>(4,733,798)</u></b>
<b>EXPENDITURES - current:</b>				
General government	\$ 7,047,283	7,096,535	6,482,595	613,940
Public safety	4,929,556	5,200,010	4,778,442	421,568
Highways and streets	7,860,810	7,866,327	1,278,309	6,588,018
Culture and recreation	3,562,231	3,910,402	3,409,589	500,813
Health and welfare	<u>49,831</u>	<u>81,238</u>	<u>54,905</u>	<u>26,333</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>23,449,711</u></b>	<b><u>24,154,512</u></b>	<b><u>16,003,840</u></b>	<b><u>8,150,672</u></b>
<b>OTHER FINANCING SOURCES:</b>				
Operating transfers in (out)	\$ <u>30,264</u>	<u>30,264</u>	<u>25,352</u>	<u>(4,912)</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Non-GAAP Basis) - continued

YEAR ENDED JUNE 30, 2008

INFRASTRUCTURE FUND				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 2,051,159	2,051,159	2,146,583	95,424
Interest	180,000	180,000	160,629	(19,371)
Intergovernmental	430,000	430,000	450,220	20,220
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ <u>2,661,159</u></b>	<b><u>2,661,159</u></b>	<b><u>2,757,432</u></b>	<b><u>96,273</u></b>
<b>EXPENDITURES - current:</b>				
General government	\$ -	-	-	-
Highways and streets	-	-	-	-
Capital outlay	<u>2,028,689</u>	<u>2,028,689</u>	<u>1,726,659</u>	<u>302,030</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>2,028,689</u></b>	<b><u>2,028,689</u></b>	<b><u>1,726,659</u></b>	<b><u>302,030</u></b>
<b>OTHER FINANCING USES:</b>				
Operating transfers out	\$ <u>635,555</u>	<u>635,555</u>	<u>624,005</u>	<u>(11,550)</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Net Assets - Proprietary Funds

AS OF JUNE 30, 2008

	Enterprise Funds			Total
	Water Sewer Fund	Solid Waste Fund	Transportation Fund	
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ (1,159,256)	484,141	61,589	(613,526)
Restricted cash	128,105	-	-	128,105
Investments	565,000	1,085,000	-	1,650,000
Accounts receivable, net	1,219,925	343,826	23,166	1,586,917
Due from other funds	1,188,650	-	-	1,188,650
Inventories	30,868	-	-	30,868
Total current assets	<u>1,973,292</u>	<u>1,912,967</u>	<u>84,755</u>	<u>3,971,014</u>
Non-current assets:				
Capital assets	56,947,662	4,020,185	285,027	61,252,874
Less accumulated depreciation	<u>(15,637,026)</u>	<u>(2,811,236)</u>	<u>(178,305)</u>	<u>(18,626,567)</u>
Total non-current assets	<u>41,310,636</u>	<u>1,208,949</u>	<u>106,722</u>	<u>42,626,307</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>43,283,928</u></b>	<b><u>3,121,916</u></b>	<b><u>191,477</u></b>	<b><u>46,597,321</u></b>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 170,334	372,926	1,031	544,291
Salaries payable	22,648	23,167	14,371	60,186
Customer deposits	208,105	-	-	208,105
Current portion of debt	908,169	173,904	11,390	1,093,463
Accrued interest payable	-	1,656	-	1,656
Total current liabilities	<u>1,309,256</u>	<u>571,653</u>	<u>26,792</u>	<u>1,907,701</u>
Non-current liabilities:				
Compensated absences	6,240	2,602	1,265	10,107
Capital lease obligation	831,017	362,747	-	1,193,764
Post-closure landfill costs	-	859,960	-	859,960
Bonds, notes and loans payable	<u>9,699,025</u>	<u>-</u>	<u>-</u>	<u>9,699,025</u>
Total non-current liabilities	<u>10,536,282</u>	<u>1,225,309</u>	<u>1,265</u>	<u>11,762,856</u>
<b>TOTAL LIABILITIES</b>	<b>11,845,538</b>	<b>1,796,962</b>	<b>28,057</b>	<b>13,670,557</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	30,780,594	846,202	106,722	31,733,518
Unrestricted	<u>657,796</u>	<u>478,752</u>	<u>56,698</u>	<u>1,193,246</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>31,438,390</u></b>	<b><u>1,324,954</u></b>	<b><u>163,420</u></b>	<b><u>32,926,764</u></b>

See Independent Auditors' Report and Notes to Financial Statements.

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Revenues, Expenses and Changes  
in Fund Net Assets - Proprietary Funds

YEAR ENDED JUNE 30, 2008

	Enterprise Funds			Total
	Water Sewer Fund	Solid Waste Fund	Transportation Fund	
<b>REVENUES:</b>				
Charges for services	\$ 7,258,630	1,477,800	246,272	8,982,702
Miscellaneous	<u>2,250,736</u>	<u>326,734</u>	<u>388,153</u>	<u>2,965,623</u>
<b>TOTAL OPERATING REVENUES</b>	9,509,366	1,804,534	634,425	11,948,325
<b>OPERATING EXPENSES:</b>				
Personal services	780,909	666,463	429,092	1,876,464
Miscellaneous expenses	2,523,448	1,725,779	203,156	4,452,383
Depreciation	<u>1,399,466</u>	<u>238,731</u>	<u>37,601</u>	<u>1,675,798</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>4,703,823</u>	<u>2,630,973</u>	<u>669,849</u>	<u>8,004,645</u>
<b>OPERATING INCOME (LOSS)</b>	4,805,543	(826,439)	(35,424)	3,943,680
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest and investment revenue	173,456	58,209	-	231,665
Interest expense	<u>(299,952)</u>	<u>(21,525)</u>	<u>-</u>	<u>(321,477)</u>
<b>TOTAL NON-OPERATING REVENUE (EXPENSES)</b>	<u>(126,496)</u>	<u>36,684</u>	<u>-</u>	<u>(89,812)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	4,679,047	(789,755)	(35,424)	3,853,868
<b>CAPITAL CONTRIBUTIONS</b>	-	-	25,509	25,509
<b>TRANSFERS IN</b>	-	-	-	-
<b>TRANSFERS OUT</b>	<u>(2,461)</u>	<u>(1,884)</u>	<u>(1,158)</u>	<u>(5,503)</u>
<b>CHANGE IN NET ASSETS</b>	4,676,586	(791,639)	(11,073)	3,873,874
<b>TOTAL NET ASSETS, June 30, 2007</b>	26,653,828	2,116,593	174,493	28,944,914
<b>RESTATEMENT</b>	<u>107,976</u>	<u>-</u>	<u>-</u>	<u>107,976</u>
<b>TOTAL NET ASSETS, June 30, 2007, restated</b>	<u>26,761,804</u>	<u>2,116,593</u>	<u>174,493</u>	<u>29,052,890</u>
<b>TOTAL NET ASSETS, June 30, 2008</b>	\$ <u>31,438,390</u>	<u>1,324,954</u>	<u>163,420</u>	<u>32,926,764</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Combined Statement of Cash Flows - Proprietary Funds

YEAR ENDED JUNE 30, 2008

	Water/Sewer Fund	Solid Waste Fund	Transportation Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers and others	\$ 8,075,132	1,766,095	657,967	10,499,194
Cash paid for goods and services	(1,972,218)	(982,777)	(206,321)	(3,161,316)
Cash paid to employees	(776,217)	(653,580)	(428,404)	(1,858,201)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u>5,326,697</u>	<u>129,738</u>	<u>23,242</u>	<u>5,479,677</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers	(2,461)	(1,884)	(1,158)	(5,503)
<b>NET CASH PROVIDED (USED) FROM NON-CAPITAL FINANCING ACTIVITIES</b>	(2,461)	(1,884)	(1,158)	(5,503)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	-	-	35,998	35,998
Distribution system and equipment purchases	(9,506,586)	(378,990)	(44,998)	(9,930,574)
Disposition of capital assets	-	-	-	-
Debt proceeds	1,263,033	359,525	-	1,622,558
Debt payment	(829,337)	(111,614)	-	(940,951)
Interest paid	(299,952)	(19,869)	-	(319,821)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(9,372,842)</u>	<u>(150,948)</u>	<u>(9,000)</u>	<u>(9,532,790)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received	173,456	58,209	-	231,665
Purchase of investments	-	-	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>173,456</u>	<u>58,209</u>	<u>-</u>	<u>231,665</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(3,875,150)	35,115	13,084	(3,826,951)
<b>CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, June 30, 2007</b>	<u>2,843,999</u>	<u>449,026</u>	<u>48,505</u>	<u>3,341,530</u>
<b>CASH AND RESTRICTED CASH AND CASH EQUIVALENTS, June 30, 2008</b>	\$ <u>(1,031,151)</u>	<u>484,141</u>	<u>61,589</u>	<u>(485,421)</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES - OPERATING INCOME:</b>				
Operating income (loss)	\$ 4,805,543	(826,439)	(35,424)	3,943,680
Noncash items:				
Disposition of capital asset	-	-	-	-
Adjustments to operating income:				
Depreciation expense	1,399,466	238,731	37,601	1,675,798
Accounts receivable	(245,584)	(38,439)	23,542	(260,481)
Due from other funds	(1,188,650)	-	-	(1,188,650)
Inventory	420,311	-	-	420,311
Accounts payable	9,938	101,371	(3,165)	108,144
Meter deposit	13,005	-	-	13,005
Payroll liabilities	4,264	7,863	4,024	16,151
Compensated absences	428	5,020	(3,336)	2,112
Post closure landfill liability	-	641,631	-	641,631
Prior period adjustment	107,976	-	-	107,976
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	\$ <u>5,326,697</u>	<u>129,738</u>	<u>23,242</u>	<u>5,479,677</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Fiduciary Assets and Liabilities - Agency Funds

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AS OF JUNE 30, 2008

		<u>Agency Funds</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$	<u>1,003,865</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>1,003,865</u></b>
<b>LIABILITIES:</b>		
Due to others	\$	<u>1,003,865</u>
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>1,003,865</u></b>

## NATURE OF ORGANIZATION

The Village of Los Lunas, State of New Mexico, was incorporated under the provisions of Article II, Chapter 3, New Mexico statutes annotated 1978, codification and amendments thereto. The Village operates under a mayor-council form of government and provides the following services as authorized by the charter: public safety (police and fire), highway and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning and general administrative services.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

In June 1999, the GASB unanimously approved GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This statement provides for the most significant change in financial reporting in over 20 years and is scheduled for a phased implementation based on size of government.

The Village implemented the provisions of GASB No. 34 effective July 1, 2001. As a part of this statement, there is a reporting requirement regarding the local government's infrastructure (roads, bridges, etc.), which is now recorded in the governmental activities.

#### • Financial Reporting Entity - GASB Statement #14

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only criterion for including a potential unit within the reporting entity is the government body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. The Village has no component units.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Financial Reporting Entity - GASB Statement #14 - continued**

Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Village has included its housing authority, which does not have a separate governing board, as a department for financial reporting purposes.

The financial statements of the funds and account groups of the Village include those administered programs that are controlled by or dependent on the Village. Control by or dependence on the Village is determined on the basis of budget adoption, the Village's obligation to finance any deficits that may occur, and fiscal management.

• **Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the Village as a whole) and fund financial statements. The new reporting model focus is on either the Village as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The Village's police and fire protection, road maintenance, culture and recreation, and administration are classified as governmental activities. The Village's utilities (water and sewer and solid waste) are classified as business activities. In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis by column, and is reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund 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 to a significant extent on fees and charges for support.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Village includes only one function (infrastructure financing). Inter-fund balances have been eliminated in the government-wide financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Government-wide and Fund Financial Statements - continued**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. **Direct expenses** are those that are clearly identifiable with a specific function or segment. **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**.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and/or delivery of goods for the funds' ongoing operation.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statement. Major individual enterprise funds are reported as separate columns in the fund financial statements.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Village's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

• **Basis of Presentation - Fund Accounting**

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict the guidance of Governmental Accounting Standards Report. The Village has elected not to follow subsequent private sector guidance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Basis of Presentation - Fund Accounting - continued**

GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

The following fund types and account groups are used by the Village:

**Governmental Fund Types** - All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. However, they are reported as liabilities in the general long-term debt account group.

The Village reports the following major governmental funds:

General Fund - This is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund.

Infrastructure Fund - This fund accounts for the repair and replacement of sanitary sewer lines, storm sewers and other drainage improvements; streets and alleys and acquisition of right of ways; and related facilities within the municipality financing is provided by a special gross receipts tax of one-fourth and one-eighth of one percent, enacted by Village Ordinances 181 and 182. (Special Revenue Fund)

2003 Bond Acquisition Fund - This accounts for the investment of 2003A Gross Receipts Tax Revenue Bond proceeds reserved for future capital projects. (Debt Service Fund).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Basis of Presentation - Fund Accounting - continued

**Governmental Fund Types - continued.**

The Village reports the following major proprietary (enterprise) funds:

Water and Sewer Fund - This fund is used to account for the provisions of water and sewer services to Village residents.

Solid Waste Fund - This accounts for the collection and disposal of solid waste of Village residents.

Transportation Fund - This fund is used to account for the transit system.

In addition, the government reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the accumulation and disbursement of restricted resources: Fire, Recreation, Municipal Jail, Law Enforcement Protection, Emergency Medical Service, Lodgers Tax and Street Improvement funds.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation bond principal, interest and related costs: 2003A GRT Revenue Bonds, 2003B GRT Revenue Bonds and 95 GRT Revenue Bonds.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities: Street Improvement, Luna Hills and Building.

Agency Funds - Assets held by the Village in an agency capacity for individuals, other governmental units and/or other funds: Court Trust Fund, Central Solid Waste Authority, FSS Escrow, COPS for Kids, Bail Bond Fund and Municipal Court Bond.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Measurement Focus and Basis of Accounting**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes, grants and appropriations. Revenue and receivables from gross receipts taxes are recognized when the underlying exchange transaction occurs. Property tax revenues and receivables are recognized when levied, net of estimated refunds and uncollectible amounts. Revenue from grants and appropriations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Governmental fund types follow the current financial resources measurement focus and modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, and amounts collected within 60 days after year end).

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Interest earned is accrued currently by the appropriate funds. Contributions, gross receipts tax and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when received and are not susceptible to accrual.

Expenditures, other than vacation, compensatory, and sick pay, are recorded when they are incurred. Expenditures charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources. Interest expense is recognized when paid. Total interest expense incurred during the year ended June 30, 2008, was \$309,071.

When both restricted and unrestricted net assets are available for expenses, unrestricted funds are applied first.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Budgetary Information**

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for the proprietary funds. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level, or a cash balance must be available to cover the current year deficit. All appropriations lapse at year end.

- For the 2008 budget year, the County Assessor sent to the Village an assessed valuation of all taxable property within the Village's boundaries.
- The Mayor, or other qualified person appointed by the Council, submitted to the Council a recommended budget which detailed the necessary property taxes needed, along with other available revenues to meet the Village's operating requirements.
- A public hearing was held for the budget, the Council certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the Council adopted the proposed budget and an appropriation resolution that legally appropriated expenditures for the upcoming year.
- After adoption of the budget resolution, the Village may make the following changes:
  - a) transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.
- A budget was not adopted for the "2003 Bond Acquisition Fund" as there were no revenues or expenditures for FY2008.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2007 were collected in 2008, and taxes certified in 2008 will be collected in 2009. Taxes are due on July 1 in the year of collection; however, they may be paid in either one installment (no later than April 30) or two equal installments (not later than February 28 and June 15) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation, is not employed by the Village because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Cash and Cash Equivalents**

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty, and investments with maturities of three months or less.

- **Investments**

Investments are stated at fair value.

- **Receivables**

Receivables are reported net of an allowance for uncollectible accounts, if applicable. Based upon management's estimate, all receivables are deemed fully collectible.

- **Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

- **Interfund Receivables and Payables**

Balances at year-end between funds are reported as "due to/from other funds" in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as "internal balances" in the government-wide financial statements.

- **Prepaid Expenses**

Prepaid expenses are amounts paid in the current year for expenses related to subsequent years.

- **Inventory**

Inventory consists of supplies for the Village's use and is carried at cost using the first-in, first-out method.

- **Capital Assets**

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays exceeding \$5,000, per Section 12-6-10 NMSA 1978, that significantly extend the useful life of an asset are capitalized. In addition, furniture and equipment with lives of one year or less, and repairs and maintenance that do not extend the useful lives of premises and equipment are expensed as incurred.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Capital Assets - continued**

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities.

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

Buildings and building improvements	33
Vehicles	5
Machinery and equipment	10
Water/Sewer Plant	33

• **Compensated Absences**

Earned but unused vacation benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for the amounts is reported in governmental funds only if they are required to be paid out within 60 days of year-end.

• **Long-term Debt Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds, using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

• **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

• **Cash and Investments**

As of June 30, 2008, the Village had the following investments:

	<u>Fair Value</u>	<u>Weighted Maturity Average (Months)</u>
Certificates of deposit	\$ 10,165,000	4.76

• **Interest Rate Risk**

The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

• **Credit Risk**

The Village's investments shall be in accordance with State Law, 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and U.S. Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10F NMSA 1978, 6-10-10 NMSA 1978.

• **Concentration of Credit Risk**

The County's investment policy places no limit on the amount the County may invest in any one issuer.

• **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the Village's name.

A reconciliation of cash and investments for the Village is on pages 87 and 88.

2. **DEPOSITS AND INVESTMENTS - continued**

• **Custodial Credit Risk - continued**

The Village is required to obtain from each bank that is a depository for public funds, pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). The pledged collateral is stated at market value as of June 30, 2008.

3. **RECEIVABLES**

Receivables as of June 30, 2008 consisted of the following. All receivables as of June 30, 2008 were deemed to be fully collectible.

	<u>General</u>	<u>Infrastructure Fund</u>	<u>Other Governmental Funds</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:					
Trade accounts	\$ -	-	-	1,586,917	1,586,917
Taxes	845,927	171,033	26,331	-	1,043,290
Intergovernmental:					
Interest income	1,479	-	-	-	13,547
Other	<u>7,678</u>	<u>-</u>	<u>12,068</u>	<u>-</u>	<u>7,678</u>
Total receivables	\$ <u>855,084</u>	<u>171,033</u>	<u>38,399</u>	<u>1,586,917</u>	<u>2,651,433</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Notes to Financial Statement - continued

4. CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Activities</u>	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 4,962,682	756,624	-	5,719,306
Construction in progress	<u>6,596,978</u>	<u>3,533,812</u>	<u>(1,031,842)</u>	<u>9,098,948</u>
Total capital assets not being depreciated	11,559,660	4,290,436	(1,031,842)	14,818,254
Capital assets being depreciated:				
Buildings and improvements	8,169,010	511,479	1,031,842	9,712,331
Vehicles	3,006,949	478,814	124,861	3,610,624
Machinery and equipment	3,582,666	424,914	(69,529)	3,938,051
Capital leases	662,076	-	(155,044)	507,032
Infrastructure	<u>46,679,271</u>	<u>1,865,711</u>	<u>-</u>	<u>48,544,982</u>
Total capital assets being depreciated	<u>62,099,972</u>	<u>3,280,918</u>	<u>932,130</u>	<u>66,313,020</u>
Total capital assets	73,659,632	7,571,354	(99,712)	81,131,274
Less accumulated depreciation for:				
Buildings and improvements	(3,362,091)	(476,214)	-	(3,838,305)
Vehicles	(3,007,822)	(220,586)	20,336	(3,208,072)
Machinery and equipment	(1,830,487)	(258,545)	69,529	(2,019,503)
Capital leases	(566,206)	(58,906)	-	(625,112)
Infrastructure	<u>(20,913,011)</u>	<u>(2,380,606)</u>	<u>-</u>	<u>(23,293,617)</u>
Total accumulated depreciation	<u>(29,679,617)</u>	<u>(3,394,857)</u>	<u>89,865</u>	<u>(32,984,609)</u>
Total capital assets being depreciated, net	<u>32,420,355</u>	<u>(113,939)</u>	<u>1,021,995</u>	<u>33,328,411</u>
Governmental activities capital assets, net	\$ <u>43,980,015</u>	<u>4,176,497</u>	<u>(9,847)</u>	<u>48,146,665</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Notes to Financial Statements - continued

4. CAPITAL ASSETS - continued

<u>Business-Type Activities</u>	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated:				
Land and improvements	\$ 1,082,074	5,000	-	1,087,074
Construction in progress	3,946,756	8,778,596	-	12,725,352
Water rights	<u>2,508,392</u>	<u>560,294</u>	<u>-</u>	<u>3,068,686</u>
 Total capital assets not being depreciated	 7,537,222	 9,343,890	 -	 16,881,112
Capital assets being depreciated:				
Buildings and improvements	979,211	-	-	979,211
Vehicles	4,585,385	112,102	9,847	4,707,334
Machinery and equipment	731,589	359,524	-	1,091,113
Water/sewer plant	<u>37,479,045</u>	<u>115,059</u>	<u>-</u>	<u>37,594,104</u>
 Total capital assets being depreciated	 <u>43,775,230</u>	 <u>586,685</u>	 <u>9,847</u>	 <u>44,371,762</u>
 Total capital assets	 51,312,452	 9,930,575	 9,847	 61,252,874
Less accumulated depreciation for:				
Buildings and improvements	(238,558)	(30,257)	-	(268,815)
Vehicles	(3,106,949)	(359,937)	(20,336)	(3,487,222)
Machinery and equipment	(523,242)	(147,839)	-	(671,081)
Water/sewer plant	<u>(13,061,684)</u>	<u>(1,137,765)</u>	<u>-</u>	<u>(14,199,449)</u>
 Total accumulated depreciation	 <u>(16,930,433)</u>	 <u>(1,675,798)</u>	 <u>(20,336)</u>	 <u>(18,626,567)</u>
 Total capital assets being depreciated, net	 <u>26,844,797</u>	 <u>(1,089,113)</u>	 <u>(10,489)</u>	 <u>25,745,195</u>
 Business-type activities capital assets, net	 \$ <u>34,382,019</u>	 <u>8,254,777</u>	 <u>(10,489)</u>	 <u>42,626,307</u>

The Village has no internally generated software.

4. CAPITAL ASSETS - continued

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:			
General government		\$	404,528
Public safety			223,207
Highways and streets			2,725,763
Culture and recreation			20,134
Health and welfare			<u>21,225</u>
		\$	<u>3,394,857</u>
Business-type activities:			
Water/sewer		\$	1,399,466
Solid waste			238,731
Transportation			<u>37,601</u>
Total depreciation expense		\$	<u>1,675,798</u>

5. LONG-TERM DEBT

The Village's principal and interest requirements to retire the long-term obligations are as follows:

**1998 RUS Bonds – Enterprise Fund**

		Principal	Interest
2009	\$	37,000	24,748
2010		39,000	22,990
2011		41,000	21,137
2012		43,000	19,190
2013		45,000	17,148
2014 - 2018		255,000	15,010
2019		<u>61,000</u>	<u>2,897</u>
Totals	\$	<u>521,000</u>	<u>123,120</u>

5. LONG-TERM DEBT - continued

Gross Receipts Tax Revenue Bonds - Government

	Principal	Interest
2009	\$ 550,000	289,080
2010	575,000	269,830
2011	640,000	202,074
2012	725,000	213,125
2013	650,000	182,700
2014 - 2018	2,100,000	413,425
2019	<u>2,325,000</u>	<u>146,663</u>
Totals	\$ <u>7,565,000</u>	<u>1,716,897</u>

Governmental Notes Payable

	Principal	Interest
2009	\$ 153,333	63,250
2010	156,592	60,048
2011	159,955	56,745
2012	163,414	53,345
2013	166,979	49,844
2014 - 2018	596,521	166,648
2019 - 2023	815,269	139,574
2024 - 2027	<u>900,124</u>	<u>55,426</u>
Totals	\$ <u>3,112,187</u>	<u>644,880</u>

5. LONG-TERM DEBT - continued

<u>Enterprise Notes Payable</u>		
	Principal	Interest
2009	\$ 630,603	197,494
2010	621,155	183,146
2011	635,149	169,164
2012	649,477	154,848
2013	1,927,184	140,188
2014 - 2018	3,439,704	475,034
2019 - 2023	1,559,383	147,242
2024 - 2026	<u>567,380</u>	<u>22,846</u>
Totals	\$ <u>10,030,035</u>	<u>1,489,963</u>

Notes to Financial Statement - continued

5. LONG-TERM DEBT - continued

The changes to long-term debt are as follows:

	Interest Rate	Balance June 30, 2007	Increase	(Decrease)	Balance June 30, 2008	Amounts Due Within One Year
Business-type activities:						
Water and sewer fund:						
Wastewater facility construction loan	2.00%	\$ 3,245,002	-	(266,668)	2,978,334	272,001
Valencia waterline loan (89-17)	3.00%	116,116	-	(17,951)	98,165	18,490
NM water supply construction loan	3.00%	45,557	-	(22,442)	23,115	23,115
Drinking water state revolving loan	2.54%	2,892,310	-	(174,472)	2,717,838	179,247
Clean water state revolving loan	2.00%	3,084,599	-	(135,049)	2,949,550	137,750
Clean water state revolving loan 2008		-	1,263,033	-	1,263,033	-
Joint water & sewer system revenue bond		557,000	-	(36,000)	521,000	37,000
Equipment lease		1,007,771	-	(176,753)	831,018	184,407
Compensated absences		<u>61,972</u>	<u>59,577</u>	<u>(59,150)</u>	<u>62,399</u>	<u>56,159</u>
Total water and sewer fund		11,010,327	1,322,610	(888,485)	11,444,452	908,169
Solid waste fund:						
Equipment lease		265,318	359,524	(111,615)	513,227	150,481
Compensated absences		<u>21,005</u>	<u>23,595</u>	<u>(18,575)</u>	<u>26,025</u>	<u>23,423</u>
Total solid waste fund		<u>286,323</u>	<u>383,119</u>	<u>(130,190)</u>	<u>539,252</u>	<u>173,904</u>
Transportation fund:						
Compensated absences		<u>15,991</u>	<u>15,637</u>	<u>(18,973)</u>	<u>12,655</u>	<u>11,390</u>
Total transportation fund		<u>15,991</u>	<u>15,637</u>	<u>(18,973)</u>	<u>12,655</u>	<u>11,390</u>
Total business-type activities		11,312,641	1,721,366	(1,037,648)	11,996,359	1,093,463



5. LONG-TERM DEBT - continued

	<u>Interest Rate</u>	<u>Balance June 30, 2007</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Governmental activities:						
2003-A gross receipts tax	3.45 - 4.2%	\$ 5,175,000	-	-	5,175,000	-
2003-B gross receipts tax	3.45 - 4.2%	2,920,000	-	(530,000)	2,390,000	550,000
PPRF disadvantaged program loan	2.90%	139,590	-	(21,500)	118,090	21,656
NMED loan	2.00%	3,018,866	-	(24,769)	2,994,097	131,087
Equipment lease	Various	121,197	-	(50,315)	70,882	50,085
Compensated absences		<u>364,200</u>	<u>323,281</u>	<u>(262,317)</u>	<u>425,164</u>	<u>382,648</u>
Total governmental activities		<u>11,738,853</u>	<u>323,281</u>	<u>(888,901)</u>	<u>11,173,233</u>	<u>1,135,476</u>
Grand total long-term debt		<u>\$ 23,051,494</u>	<u>2,044,647</u>	<u>(1,926,549)</u>	<u>23,169,592</u>	<u>2,228,939</u>

The general fund is typically used to liquidate other long-term debt, such as compensated absences.

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Notes to Financial Statements – continued

5. **LONG-TERM DEBT - continued**

Future minimum lease payments:

<u>Capital Leases</u> <u>Year Ended June 30,</u>	<u>Governmental</u> <u>Activities</u>	<u>Enterprise</u> <u>Fund</u>
2009	\$ 52,062	387,377
2010	21,017	370,603
2011	-	595,022
2012	-	80,445
2013	-	40,222
2014 - 2018	<u>-</u>	<u>-</u>
Total lease payments	73,079	1,473,669
Less interest	<u>2,197</u>	<u>129,424</u>
Total	\$ <u>70,882</u>	<u>1,344,245</u>

6. **DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS**

These amounts represent interfund receivables and payables arising from interfund transactions within the Village. The balances below represent tax revenue owed from the General Fund to the Municipal Improvement Fund. The General Fund owes \$1.1 million for receipts collected on behalf of the Water/Sewer fund. All balances are expected to be repaid within one year. These balances are netted as part of the reconciliation to the government-wide columnar presentation. Interfund receivables and payables as of June 30, 2008 consist of the following:

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
<b>Governmental Funds:</b>		
General Fund	\$ -	1,214,124
Municipal Street Improvement Fund	25,474	-
<b>Enterprise Funds:</b>		
Water Sewer Fund	<u>1,188,650</u>	<u>-</u>
Total	\$ <u>1,214,124</u>	<u>1,214,124</u>

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**6. DUE FROM AND DUE TO OTHER FUNDS AND TRANSFERS - continued**

General fund transfers to other funds were for debt service payments and for the operations of the enterprise funds. Infrastructure transfers were to pay for debt service. Transfers as of June 30, 2008, consist of the following:

	<b>Governmental Funds</b>		
	<b>General Fund</b>	<b>Infrastructure Fund</b>	<b>Section 8 Housing</b>
<b>Transfers to:</b>			
General Fund	\$ 20,904	-	578
2003A Gross Receipts Tax Revenue Bond	199,681	-	-
2003B Gross Receipts Tax Revenue Bond	-	624,005	-
Transportation	<u>150,000</u>	<u>-</u>	<u>-</u>
Total Transfers In	\$ <u>370,585</u>	<u>624,005</u>	<u>578</u>

Amounts totaling \$7,440 were transferred to the State General Fund for reversions.

STATE OF NEW MEXICO  
 VILLAGE OF LOS LUNAS

Notes to Financial Statement - continued

Transfers from:

Enterprise Funds			Agency Fund	Total
Water/Sewer Fund	Solid Waste Fund	Transportation	Central Dispatch	Transfers Out
2,461	1,884	1,158	2,712	29,697
-	-	-	-	199,681
-	-	-	-	624,005
-	-	-	-	150,000
<u>2,461</u>	<u>1,884</u>	<u>1,158</u>	<u>2,712</u>	<u>1,003,383</u>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS**

**Notes to Financial Statements – continued**

**7. BUDGETARY COMPARISONS**

The Combined Statement of Revenues and Expenditures - Budget (non-GAAP Budgetary Basis) and Actual - General, Special Revenue, Capital Projects, and Debt Service, is presented in accordance with the state's legal budgetary basis; and, therefore, includes encumbrances as current period expenditures and excludes expenditures made on prior year encumbrances. The following presentation reconciles the differences between this basis and GAAP.

The following funds do not have legally adopted budgets and, therefore, Budget and Actual Statements of Revenues and Expenditures are not presented: 2003 Bond Acquisition Fund, National Veterans Cemetery, 1995 GRT Revenue Bond Debt Service Fund.

	<b>General Fund</b>	<b>Infrastructure Fund</b>	<b>2003 Bond Acquisition</b>	<b>Total (Memorandum Only)</b>
Revenues:				
Non-GAAP budgetary basis	\$ 16,218,715	2,757,432	-	18,976,147
Change in accounts and interest receivable	(1,819,890)	(207,428)	-	(2,027,318)
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues - GAAP basis	14,398,825	2,550,004	-	16,948,829
Expenditures:				
Non-GAAP budgetary basis	16,003,840	1,726,659	-	17,730,499
Accounts payable	410,748	-	-	410,748
Audit adjustments	<u>(9,070)</u>	<u>-</u>	<u>-</u>	<u>(9,070)</u>
Expenditures - GAAP basis	<u>\$ 16,405,518</u>	<u>1,726,659</u>	<u>-</u>	<u>18,132,177</u>

**8. INSURANCE COVERAGE**

The Village is exposed to various risks of loss from torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Village carries insurance through the New Mexico Self-Insurers' Fund. The following is a summary of some of the more significant insurance coverage information related to the Village.

Coverage provided to the Village through the New Mexico Self-Insurers' Fund includes tort liability limits for casualty coverage (general, automobile, civil rights and public officials' liability) on a "claims made" basis. Property is subject to a limit of \$100,000 per occurrence. Law enforcement liability, public officials' errors and omissions, and foreign jurisdiction are all individually subject to \$1 million per occurrence / \$1 million aggregate.

**9. LANDFILL CLOSURE AND POST-CLOSURE CARE**

The Village stopped accepting solid waste at its landfill in 1997. State and federal laws and regulations require the Village to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. The \$859,960 reported in the Solid Waste Fund as a landfill closure and post-closure care liability at June 30, 2008 represents the estimated remaining current cost of all post-closure care. However, due to changes in technology, laws or regulations, these costs may change in the future.

**10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

• **Plan Description**

Substantially all of the Village's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

• **Funding Policy**

The contribution requirements of plan members and the Village are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Village has elected under Section 10-11-5 NMSA 1978 to be responsible for making contributions of up to 75% of its employees' member contributions. Village employees covered under the municipal general plan contribute 3.2875% of their gross salary instead of 13.15% that would normally be required under the municipal general plan. The Village contributes 19.0125% of employee's gross salary instead of 9.15%

10. **PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION - continued**

• **Funding Policy - continued**

required under the municipal general plan. Village employees covered under the municipal police plan contribute 4.075% of their gross salary instead of 16.3% that would normally be required under the municipal police plan. The Village contributes 30.725% of employee's gross salary instead of 18.5% required under the municipal police plan. Village employees covered under the municipal fire plan contribute 4.05% of their gross salary instead of 16.2% that would normally be required under the general plan. The Village contributes 33.4% of employee's gross salary instead of 21.25% required under the municipal fire plan. The Village's contribution to PERA for the years ended June 30, 2008, 2007 and 2006 was \$694,778, \$578,802 and \$435,723, respectively, equal to the amount of the required contributions for each year.

The Village has decided not to participate in the state Retiree Health Care Fund.

11. **POSTEMPLOYMENT HEALTH CARE PLAN**

• **Plan Description**

The Village of Los Lunas Retiree Medical Insurance Plan (the Plan) is a single-employer defined benefit healthcare plan. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses.

• **Funding Policy**

The contribution requirements of plan members and the Village are established and may be amended. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. For fiscal year 2008, the Village contributed \$30,394 to the Plan. Plan members receiving benefits contributed \$30,394 through their required contribution of \$334 per month for retiree-only coverage, \$668 for retiree and spouse coverage, \$634 for employee and children coverage and \$991 for family coverage.

• **Annual OPEB Cost and Net OPEB Obligation**

The Village's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Village's OPEB obligation:

Notes to Financial Statements – continued

11. POSTEMPLOYMENT HEALTH CARE PLAN - continued

• Annual OPEB Cost and Net OPEB Obligation - continued

Annual required contribution	\$ 595,559
Interest on net OPEB obligation	-
Adjustment to annual requirement contribution	<u>-</u>
Annual OPEB cost	595,559
Contributions made	<u>61,000</u>
Increase in net OPEB obligation	534,559
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	\$ <u><u>534,559</u></u>

The Village’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/06	N/A	N/A	N/A
6/30/07	N/A	N/A	N/A
6/30/08	\$ 595,559	10.2%	\$ 534,559

• Funded Status and Funding Progress

As of July 1, 2007, the unfunded actuarial accrued liability (UAAL) was \$4,001,788.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



**11. POSTEMPLOYMENT HEALTH CARE PLAN - continued**

• **Funded Status and Funding Progress - continued**

• **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007, actuarial valuation, the Project Unit Credit actuarial cost method (PUC) was used. An annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 10 years, was used. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2007 was 30 years. The 2007 ARC was based on a 45 percent discount rate and a 20 percent salary growth.

**12. LITIGATION**

The Village was not involved with any legal actions at year-end.

**13. CONDUIT DEBT OBLIGATIONS**

The Village has issued \$50,000,000 of taxable Industrial Revenue Bonds to provide financing for the acquisition and construction and equipping of an industrial revenue project. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Village nor any political subdivision of the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

In October 1998, the Village approved the issuance of Variable Rate Demand Limited Obligation Industrial Revenue Bonds in the amount of \$5,000,000. Neither the Village nor any political subdivision of the State is obligated in any manner for repayment of the bonds.

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Notes to Financial Statements - continued

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	Condensed Statement of Net Assets		
	Water and Sewer	Solid Waste	FTA Section 5311
Current assets	\$ 1,973,292	1,912,967	84,755
Property and equipment, net of accumulated depreciation	<u>41,310,636</u>	<u>1,208,949</u>	<u>106,722</u>
Total assets	\$ <u>43,283,928</u>	<u>3,121,916</u>	<u>191,477</u>
Current liabilities	\$ 1,309,256	571,653	26,792
Non-current liabilities	<u>10,536,282</u>	<u>1,225,309</u>	<u>1,265</u>
Total liabilities	11,845,538	1,796,962	28,057
Net assets:			
Invested in capital assets, net of related debt	30,780,594	846,202	106,722
Unrestricted	<u>657,796</u>	<u>478,752</u>	<u>56,698</u>
Total net assets	<u>31,438,390</u>	<u>1,324,954</u>	<u>163,420</u>
Total liabilities and net assets	\$ <u>43,283,928</u>	<u>3,121,916</u>	<u>191,477</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Notes to Financial Statements - continued

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS - continued

	Condensed Statement of Activities		
	Water and Sewer	Solid Waste	FTA Section 5311
Operating revenue:			
Water and sewer sales	\$ 7,258,630	-	-
Solid waste fees	-	1,477,800	-
Other	<u>2,250,736</u>	<u>326,734</u>	<u>634,425</u>
Total operating revenue	9,509,366	1,804,534	634,425
Operating expenses	780,909	666,463	429,092
Miscellaneous expenses	2,523,448	1,725,779	203,156
Depreciation	<u>1,399,466</u>	<u>238,731</u>	<u>37,601</u>
Total operating expenses	<u>4,703,823</u>	<u>2,630,973</u>	<u>669,849</u>
Operating income (loss)	4,805,543	(826,439)	(35,424)
Contributed capital	-	-	25,509
Non-operating income (loss)	(126,496)	36,684	-
Transfers out/in	<u>(2,461)</u>	<u>(1,884)</u>	<u>(1,158)</u>
Total non-operating income	<u>(128,957)</u>	<u>34,800</u>	<u>24,351</u>
Changes in net assets	4,676,586	(791,639)	(11,073)
Net assets, beginning	26,653,828	2,116,593	174,493
Restatement	<u>107,976</u>	<u>-</u>	<u>-</u>
Net assets, beginning, restated	<u>26,761,804</u>	<u>2,116,593</u>	<u>174,493</u>
Net assets, ending	\$ <u>31,438,390</u>	<u>1,324,954</u>	<u>163,420</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Notes to Financial Statements - continued

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS - continued

	Condensed Statement of Cash Flows		
	Water and Sewer	Solid Waste	FTA Section 5311
Net cash provided (used) by operating activities	\$ 5,326,697	129,738	23,242
Net cash used by non-capital financing activities	(2,461)	(1,884)	(1,158)
Net cash (used) provided by capital financing activities	(9,372,842)	(150,948)	(9,000)
Net cash provided (used) by investing activities	<u>173,456</u>	<u>58,209</u>	<u>-</u>
Increase in cash and cash equivalents	(3,875,150)	35,115	13,084
Cash and cash equivalents, beginning of year	<u>2,843,999</u>	<u>449,026</u>	<u>48,505</u>
Cash and cash equivalents, end of year	\$ <u><u>(1,031,151)</u></u>	<u><u>484,141</u></u>	<u><u>61,589</u></u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Notes to Financial Statements - continued

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**15. PRIOR PERIOD ADJUSTMENTS**

The following restatements were made as of June 30, 2008 to the June 30, 2007 fund balances:

General Fund

Fund balance, June 30, 2007	\$ 10,405,352
Restatement - to reverse incorrect encumbrance posting	<u>(228,001)</u>
Fund balance, June 30, 2007, restated	\$ <u>10,177,351</u>

Local DWI Fund

Fund balance, June 30, 2007	\$ -
Restatement - to record revenue in proper period	<u>8,117</u>
Fund balance, June 30, 2007, restated	\$ <u>8,117</u>

Water Sewer Fund

Fund balance, June 30, 2007	\$ 26,653,828
Restatement - to correct understated capital assets/overstated expenditures	<u>107,976</u>
Fund balance, June 30, 2007, restated	\$ <u>26,761,804</u>

**16. DEFICIT FUND BALANCE**

The Fire Fund had a deficit fund balance of \$2,818 at June 30, 2008. The Law Enforcement Fund had a deficit fund balance of \$8,106 at June 30, 2008.

**SUPPLEMENTARY INFORMATION**

AS OF JUNE 30, 2008

	<u>Lodger's Tax</u>	<u>Section 8 Housing</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 96,825	281,392	-	138,456
Investments	-	-	-	-
Taxes receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Receivable from other governments	-	-	-	-
Other receivables	<u>6,235</u>	<u>-</u>	<u>-</u>	<u>673</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>103,060</u></b>	<b><u>281,392</u></b>	<b><u>-</u></b>	<b><u>139,129</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ -	9,062	2,818	772
Due to other funds	-	-	-	-
Other accrued expenses	<u>-</u>	<u>4,112</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>13,174</b>	<b>2,818</b>	<b>772</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unreserved	<u>103,060</u>	<u>268,218</u>	<u>(2,818)</u>	<u>138,357</u>
<b>TOTAL FUND BALANCES</b>	<b><u>103,060</u></b>	<b><u>268,218</u></b>	<b><u>(2,818)</u></b>	<b><u>138,357</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>103,060</u></b>	<b><u>281,392</u></b>	<b><u>-</u></b>	<b><u>139,129</u></b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Combining Balance Sheet -  
Other Governmental Funds

<u>Local Government Correction</u>	<u>Law Enforcement Protection</u>	<u>Emergency Medical Service</u>	<u>National Veterans Cemetery</u>	<u>Local DWI</u>	<u>Total Special Revenue</u>
152,302	-	-	-	13,292	682,267
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	12,068	12,068
-	-	-	-	-	6,908
<u>152,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,360</u>	<u>701,243</u>
-	8,106	-	-	3,107	23,865
-	-	-	-	-	-
-	-	-	-	13,819	17,931
-	8,106	-	-	16,926	41,796
-	-	-	-	-	-
-	-	-	-	-	-
<u>152,302</u>	<u>(8,106)</u>	<u>-</u>	<u>-</u>	<u>8,434</u>	<u>659,447</u>
<u>152,302</u>	<u>(8,106)</u>	<u>-</u>	<u>-</u>	<u>8,434</u>	<u>659,447</u>
<u>152,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,360</u>	<u>701,243</u>



**AS OF JUNE 30, 2008**

	<u>Municipal Street Improvement</u>	<u>Luna Hills Capital Project</u>	<u>Building Capital Project</u>	<u>Total Capital Projects</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 304,707	-	-	304,707
Investments	100,000	-	-	100,000
Taxes receivable, net	-	-	-	-
Due from other funds	25,474	-	-	25,474
Receivable from other governments	-	-	-	-
Other receivables	<u>19,423</u>	<u>-</u>	<u>-</u>	<u>19,423</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>449,604</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>449,604</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 119	-	-	119
Due to other funds expenses	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>119</b>	<b>-</b>	<b>-</b>	<b>119</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Debt service	-	-	-	-
Other purposes	348,941	-	-	348,941
Unreserved	<u>100,544</u>	<u>-</u>	<u>-</u>	<u>100,544</u>
<b>TOTAL FUND BALANCES</b>	<b><u>449,485</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>449,485</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>449,604</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>449,604</u></b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Combining Balance Sheet -  
Other Governmental Funds - continued

<u>2003A Gross Receipts Tax Revenue Bond</u>	<u>2003B Gross Receipts Tax Revenue Bond</u>	<u>1995 Gross Receipts Tax Revenue Bond</u>	<u>Total Debt Service</u>	<u>Total Governmental Funds</u>
67,519	213,116	-	280,635	1,267,609
-	-	-	-	100,000
-	-	-	-	-
-	-	-	-	25,474
-	-	-	-	-
-	-	-	-	12,068
-	-	-	-	26,331
<u>67,519</u>	<u>213,116</u>	<u>-</u>	<u>280,635</u>	<u>1,431,482</u>
-	44,637	-	44,637	68,621
-	-	-	-	-
-	-	-	-	17,931
-	44,637	-	44,637	86,552
67,519	168,479	-	235,998	235,998
-	-	-	-	348,941
-	-	-	-	759,991
<u>67,519</u>	<u>168,479</u>	<u>-</u>	<u>235,998</u>	<u>1,344,930</u>
<u>67,519</u>	<u>213,116</u>	<u>-</u>	<u>280,635</u>	<u>1,431,482</u>

YEAR ENDED JUNE 30, 2008

	<u>Lodger's Tax</u>	<u>Section 8 Housing</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>
<b>REVENUES:</b>				
Sales and miscellaneous taxes	\$ 67,915	-	-	8,771
Intergovernmental	-	1,207,791	88,398	-
Charges for services	-	21,682	-	81,078
Investment earnings	6,557	7,389	-	6,557
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<b>74,472</b>	<b>1,236,862</b>	<b>88,398</b>	<b>96,406</b>
<b>EXPENDITURES:</b>				
Current:				
General government	75,869	-	-	-
Public Safety	-	-	35,021	-
Public Works	-	-	-	-
Health and welfare	-	1,085,040	-	-
Culture and recreation	-	1,607	-	67,986
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	56,195	3,006
<b>TOTAL EXPENDITURES</b>	<b>75,869</b>	<b>1,086,647</b>	<b>91,216</b>	<b>70,992</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,397)</b>	<b>150,215</b>	<b>(2,818)</b>	<b>25,414</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from long-term debt, net	-	-	-	-
Reversions to State General Fund	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(578)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(578)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,397)</b>	<b>149,637</b>	<b>(2,818)</b>	<b>25,414</b>
<b>FUND BALANCES, JUNE 30, 2007</b>	<b>104,457</b>	<b>118,581</b>	<b>-</b>	<b>112,943</b>
<b>RESTATEMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES, June 30, 2007, restated</b>	<b>104,457</b>	<b>118,581</b>	<b>-</b>	<b>112,943</b>
<b>FUND BALANCES, June 30, 2008</b>	<b>\$ 103,060</b>	<b>268,218</b>	<b>(2,818)</b>	<b>138,357</b>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS**

**Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - Other Governmental Funds**

Local Government Correction	Law Enforcement Protection	Emergency Medical Service	National Veterans Cemetery	Local DWI	Total Special Revenue
-	-	-	-	-	76,686
-	36,800	30,560	-	391,571	1,755,120
79,936	-	-	-	-	182,696
4,403	-	1,078	-	-	25,984
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
84,339	36,800	31,638	-	391,571	2,040,486
79,358	-	-	-	-	155,227
-	-	31,506	-	383,814	450,341
-	-	-	-	-	-
-	-	-	-	-	1,085,040
-	-	-	-	-	69,593
-	18,133	-	-	-	18,133
-	1,441	-	-	-	1,441
<u>-</u>	<u>25,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,533</u>
<u>79,358</u>	<u>44,906</u>	<u>31,506</u>	<u>-</u>	<u>383,814</u>	<u>1,864,308</u>
4,981	(8,106)	132	-	7,757	176,178
-	-	-	-	-	-
-	-	-	-	(7,440)	(7,440)
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(578)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,440)</u>	<u>(8,018)</u>
4,981	(8,106)	132	-	317	168,160
147,321	-	(132)	-	-	483,170
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,117</u>	<u>8,117</u>
<u>147,321</u>	<u>-</u>	<u>(132)</u>	<u>-</u>	<u>8,117</u>	<u>491,287</u>
<u>152,302</u>	<u>(8,106)</u>	<u>-</u>	<u>-</u>	<u>8,434</u>	<u>659,447</u>

See Independent Auditors' Report.

YEAR ENDED JUNE 30, 2008

	<u>Municipal Street Improvement</u>	<u>Luna Hills Capital Project</u>	<u>Building Capital Project</u>	<u>Total Capital Projects</u>
<b>REVENUES:</b>				
Sales and miscellaneous taxes	\$ 296,121	-	-	296,121
Intergovernmental	-	-	55,928	55,928
Charges for services	-	-	-	-
Investment earnings	21,034	-	-	21,034
Miscellaneous	<u>21,954</u>	<u>-</u>	<u>-</u>	<u>21,954</u>
<b>TOTAL REVENUES</b>	339,109	-	55,928	395,037
<b>EXPENDITURES:</b>				
Current:				
General government	-	-	-	-
Public Safety	-	-	-	-
Public Works	107,172	-	-	107,172
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Debt Service:				
Principal	2,876	-	-	2,876
Interest and other charges	-	-	-	-
Capital outlay	<u>128,517</u>	<u>-</u>	<u>55,928</u>	<u>184,445</u>
<b>TOTAL EXPENDITURES</b>	<u>238,565</u>	<u>-</u>	<u>55,928</u>	<u>294,493</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	100,544	-	-	100,544
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from long-term debt, net	-	-	-	-
Reversions to State General Fund	-	-	-	-
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	100,544	-	-	100,544
<b>FUND BALANCES, JUNE 30, 2007</b>	348,941	-	-	348,941
<b>RESTATEMENTS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, June 30, 2007, restated</b>	<u>348,941</u>	<u>-</u>	<u>-</u>	<u>348,941</u>
<b>FUND BALANCES, June 30, 2008</b>	<u>\$ 449,485</u>	<u>-</u>	<u>-</u>	<u>449,485</u>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS**

**Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - Other Governmental Funds - continued**

<u>2003A Gross Receipts Tax Revenue Bond</u>	<u>2003B Gross Receipts Tax Revenue Bond</u>	<u>1995 Gross Receipts Tax Revenue Bond</u>	<u>Total Debt Service</u>	<u>Total-Other Governmental Funds</u>
-	-	-	-	372,807
-	-	-	-	1,811,048
-	-	-	-	182,696
2,066	10,219	-	12,285	59,303
-	-	-	-	<u>21,954</u>
2,066	10,219	-	12,285	2,447,808
-	-	-	-	155,227
-	-	-	-	450,341
-	-	-	-	107,172
-	-	-	-	1,085,040
-	-	-	-	69,593
-	530,000	-	530,000	551,009
202,075	105,555	-	307,630	309,071
-	-	-	-	<u>268,978</u>
<u>202,075</u>	<u>635,555</u>	<u>-</u>	<u>837,630</u>	<u>2,996,431</u>
(200,009)	(625,336)	-	(825,345)	(548,623)
-	-	-	-	-
-	-	-	-	(7,440)
199,681	624,005	-	823,686	823,686
-	-	-	-	<u>(578)</u>
<u>199,681</u>	<u>624,005</u>	<u>-</u>	<u>823,686</u>	<u>815,668</u>
(328)	(1,331)	-	(1,659)	267,045
67,847	169,810	-	237,657	1,069,768
-	-	-	-	<u>8,117</u>
<u>67,847</u>	<u>169,810</u>	<u>-</u>	<u>237,657</u>	<u>1,077,885</u>
<u>67,519</u>	<u>168,479</u>	<u>-</u>	<u>235,998</u>	<u>1,344,930</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Revenues and Expenditures -  
Major Enterprise Funds -  
Budget and Actual (Non-GAAP Basis)

YEAR ENDED JUNE 30, 2008

	WATER/SEWER			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
<b>REVENUES:</b>				
Water sales and service	\$ 4,234,594	4,234,594	3,364,994	(869,600)
Sewer sales and service	2,743,733	2,743,733	1,985,463	(758,270)
Taxes	201,606	201,606	225,943	24,337
Interest	211,484	211,484	172,557	(38,927)
Miscellaneous	<u>13,365,000</u>	<u>13,365,000</u>	<u>4,968,781</u>	<u>(8,396,219)</u>
<b>TOTAL REVENUES</b>	<b>\$ <u>20,756,417</u></b>	<b><u>20,756,417</u></b>	<b><u>10,717,738</u></b>	<b><u>(10,038,679)</u></b>
<b>EXPENDITURES - current:</b>				
Water/sewer - treatment plant	\$ 7,566,605	7,592,370	1,167,812	6,424,558
Water/sewer - utility expense	<u>11,270,422</u>	<u>11,810,647</u>	<u>1,891,951</u>	<u>9,918,696</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>18,837,027</u></b>	<b><u>19,403,017</u></b>	<b><u>3,059,763</u></b>	<b><u>16,343,254</u></b>
<b>OTHER FINANCING SOURCES/USES</b>				
Operating transfers out	\$ <u>2,461</u>	<u>2,461</u>	<u>2,461</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<b>\$ <u>1,921,851</u></b>	<b><u>1,355,861</u></b>	<b><u>7,660,436</u></b>	<b><u>6,304,575</u></b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Revenues and Expenditures -  
Major Enterprise Funds -  
Budget and Actual (Non-GAAP Basis) - continued

YEAR ENDED JUNE 30, 2008

SOLID WASTE				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Solid waste sales	\$ 1,279,935	1,279,935	1,403,939	124,004
Taxes	390,646	390,646	402,688	12,042
Interest	<u>91,226</u>	<u>91,226</u>	<u>57,792</u>	<u>(33,434)</u>
<b>TOTAL REVENUES</b>	<b>\$ <u>1,761,807</u></b>	<b><u>1,761,807</u></b>	<b><u>1,864,419</u></b>	<b><u>102,612</u></b>
<b>EXPENDITURES - current:</b>				
Solid waste expense	\$ <u>2,325,239</u>	<u>2,358,073</u>	<u>1,747,062</u>	<u>611,011</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>2,325,239</u></b>	<b><u>2,358,073</u></b>	<b><u>1,747,062</u></b>	<b><u>611,011</u></b>
<b>OTHER FINANCING USES</b>				
Operating transfers out	\$ <u>1,884</u>	<u>1,884</u>	<u>1,884</u>	<u>-</u>



STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Statement of Revenues and Expenditures -  
Major Enterprise Funds -  
Budget and Actual (Non-GAAP Basis) - continued

YEAR ENDED JUNE 30, 2008

**TRANSPORTATION 5311 FUND**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Government grants	\$ 360,178	360,178	366,168	5,990
Miscellaneous	<u>156,618</u>	<u>156,618</u>	<u>141,799</u>	<u>(14,819)</u>
<b>TOTAL REVENUES</b>	<b>\$ <u>516,796</u></b>	<b><u>516,796</u></b>	<b><u>507,967</u></b>	<b><u>(8,829)</u></b>
<b>EXPENDITURES - current:</b>				
General government	\$ <u>640,283</u>	<u>679,191</u>	<u>635,263</u>	<u>43,928</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>640,283</u></b>	<b><u>679,191</u></b>	<b><u>635,263</u></b>	<b><u>43,928</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	\$ (1,158)	(1,158)	(1,158)	-
Operating transfers in	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
	<b>\$ <u>148,842</u></b>	<b><u>148,842</u></b>	<b><u>148,842</u></b>	<b><u>-</u></b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Lodger's Tax -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 53,372	83,977	83,977	-
Interest	<u>7,000</u>	<u>7,000</u>	<u>6,396</u>	<u>(604)</u>
<b>TOTAL REVENUES</b>	\$ <u>60,372</u>	<u>90,977</u>	<u>90,373</u>	<u>(604)</u>
<b>EXPENDITURES - current:</b>				
General government expenses	\$ <u>60,000</u>	<u>82,200</u>	<u>75,869</u>	<u>6,331</u>
<b>TOTAL EXPENDITURES</b>	\$ <u>60,000</u>	<u>82,200</u>	<u>75,869</u>	<u>6,331</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Section 8 Housing -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Government grants	\$ 1,365,730	1,365,730	1,229,474	(136,256)
Interest	<u>251</u>	<u>251</u>	<u>7,389</u>	<u>7,138</u>
<b>TOTAL REVENUES</b>	<b>\$ <u>1,365,981</u></b>	<b><u>1,365,981</u></b>	<b><u>1,236,863</u></b>	<b><u>(129,118)</u></b>
<b>EXPENDITURES - current:</b>				
Health and welfare	\$ <u>1,418,287</u>	<u>1,425,431</u>	<u>1,084,086</u>	<u>341,345</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>1,418,287</u></b>	<b><u>1,425,431</u></b>	<b><u>1,084,086</u></b>	<b><u>341,345</u></b>
<b>OTHER FINANCING USES</b>				
Operating transfers out	\$ <u>578</u>	<u>578</u>	<u>578</u>	<u>-</u>
<b>FUND BALANCE, BEGINNING</b>	<b>\$ <u>118,581</u></b>	<b><u>118,581</u></b>	<b><u>118,581</u></b>	<b><u>-</u></b>
<b>FUND BALANCE, ENDING</b>	<b>\$ <u>65,697</u></b>	<b><u>58,553</u></b>	<b><u>270,780</u></b>	<b><u>212,227</u></b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Fire Fund -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 82,614	88,398	88,398	-
Interest	<u>1,639</u>	<u>1,639</u>	-	<u>(1,639)</u>
<b>TOTAL REVENUES</b>	<u>\$ 84,253</u>	<u>90,037</u>	<u>88,398</u>	<u>(1,639)</u>
<b>EXPENDITURES - current:</b>				
Public safety	\$ <u>84,253</u>	<u>90,037</u>	<u>88,398</u>	<u>1,639</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 84,253</u>	<u>90,037</u>	<u>88,398</u>	<u>1,639</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Recreation Fund -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 12,066	12,066	10,821	(1,245)
Interest	9,035	9,035	6,396	(2,639)
Charges for services	<u>82,201</u>	<u>98,730</u>	<u>78,354</u>	<u>(20,376)</u>
<b>TOTAL REVENUES</b>	<b>\$ <u>103,302</u></b>	<b><u>119,831</u></b>	<b><u>95,571</u></b>	<b><u>(24,260)</u></b>
<b>EXPENDITURES - current:</b>				
Culture and recreation	\$ <u>73,000</u>	<u>83,000</u>	<u>72,014</u>	<u>10,986</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ <u>73,000</u></b>	<b><u>83,000</u></b>	<b><u>72,014</u></b>	<b><u>10,986</u></b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Local Government Correction -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Charges for services	\$ 80,880	80,880	79,936	(944)
Interest	8,000	8,000	4,797	(3,203)
<b>TOTAL REVENUES</b>	<b>\$ 88,880</b>	<b>88,880</b>	<b>84,733</b>	<b>(4,147)</b>
<b>EXPENDITURES - current:</b>				
General government	\$ 80,000	80,000	79,358	642
<b>TOTAL EXPENDITURES</b>	<b>\$ 80,000</b>	<b>80,000</b>	<b>79,358</b>	<b>642</b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Law Enforcement Protection -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Government grants	\$ 36,800	36,800	36,800	-
Interest	1,710	1,710	-	(1,710)
<b>TOTAL REVENUES</b>	\$ 38,510	38,510	36,800	(1,710)
<b>EXPENDITURES - current:</b>				
Public safety	\$ 38,510	38,510	36,800	1,710
<b>TOTAL EXPENDITURES</b>	\$ 38,510	38,510	36,800	1,710

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Emergency Medical Service -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 27,186	30,560	30,560	-
Interest	1,078	1,078	1,078	-
<b>TOTAL REVENUES</b>	\$ 28,264	31,638	31,638	-
<b>EXPENDITURES - current:</b>				
Public safety	\$ 28,264	31,638	31,638	-
<b>TOTAL EXPENDITURES</b>	\$ 28,264	31,638	31,638	-



STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Municipal Street Improvement -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 252,310	252,310	297,424	45,114
Admin Revenue			21,954	21,954
Interest	<u>24,565</u>	<u>24,565</u>	<u>20,592</u>	<u>(3,973)</u>
<b>TOTAL REVENUES</b>	\$ <u>276,875</u>	<u>276,875</u>	<u>339,970</u>	<u>63,095</u>
<b>EXPENDITURES - current:</b>				
Highways and streets	\$ <u>276,608</u>	<u>276,608</u>	<u>233,685</u>	<u>42,923</u>
<b>TOTAL EXPENDITURES</b>	\$ <u>276,608</u>	<u>276,608</u>	<u>233,685</u>	<u>42,923</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Building Capital Project -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Government grants	\$ 47,000	47,000	55,928	8,928
<b>TOTAL REVENUES</b>	<u>\$ 47,000</u>	<u>47,000</u>	<u>55,928</u>	<u>8,928</u>
<b>EXPENDITURES - current:</b>				
Capital outlay	\$ 47,000	47,000	55,928	(8,928)
<b>TOTAL EXPENDITURES</b>	<u>\$ 47,000</u>	<u>47,000</u>	<u>55,928</u>	<u>(8,928)</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

2003A Gross Receipts Tax Revenue Bond Debt Service -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest revenue	\$ 2,676	2,676	2,029	(647)
<b>TOTAL REVENUES</b>	<u>\$ 2,676</u>	<u>2,676</u>	<u>2,029</u>	<u>(647)</u>
<b>EXPENDITURES - current:</b>				
Debt service	\$ 202,074	202,075	202,075	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 202,074</u>	<u>202,075</u>	<u>202,075</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	\$ 202,074	202,074	199,681	2,393

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

2003B Gross Receipts Tax Revenue Bond Debt Service -  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Interest revenue	\$ 13,739	13,739	10,101	(3,638)
<b>TOTAL REVENUES</b>	<u>\$ 13,739</u>	<u>13,739</u>	<u>10,101</u>	<u>(3,638)</u>
<b>EXPENDITURES - current:</b>				
Debt service	\$ 635,555	635,555	635,555	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 635,555</u>	<u>635,555</u>	<u>635,555</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	\$ 635,555	635,555	624,055	11,500

**OTHER SUPPLEMENTAL SCHEDULES**

AS OF JUNE 30, 2008

	Wells Fargo	First Community Bank	SECU	My Bank
<b>Deposits in bank or savings and loan:</b>				
Money market	\$ -	807,863	-	-
Bank deposits	2,311,441	35,256	-	-
Repurchase deposits	5,182,576	335,100	-	-
Certificates of deposit	<u>-</u>	<u>8,425,000</u>	<u>100,000</u>	<u>100,000</u>
	<u>7,494,017</u>	<u>9,603,219</u>	<u>100,000</u>	<u>100,000</u>
Less FDIC or FSLIC coverage	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
<b>Total uninsured public funds</b>	<u>7,394,017</u>	<u>9,503,219</u>	<u>-</u>	<u>-</u>
<b>Collateral requirement @ 50%</b>	1,105,721	4,584,060	-	-
<b>Collateral requirement @ 102%</b>	<u>5,286,228</u>	<u>341,802</u>	<u>-</u>	<u>-</u>
<b>Total required collateralization</b>	<u>6,391,948</u>	<u>4,925,862</u>	<u>-</u>	<u>-</u>
<b>Pledges and securities:</b>				
FNCL 00982832, 5.00%, due 05/01/2038	3,433,635	-	-	-
FNCL 00954869, 6.0%, due 11/01/2037	1,948,664	-	-	-
FNCL 867437, 6.0%, due 05/01/2036	2,377,460	-	-	-
FHLB 31339YVV1, 3.38%, due 07/21/2008	-	50,023	-	-
FHLB 31339YVV1, 3.38%, due 07/21/2008	-	50,023	-	-
FHLB 31339YVV1, 3.38%, due 7/21/2008	-	300,136	-	-
FHLB 31339YVV1, 3.38%, due 07/21/2008	-	90,041	-	-
FHLB 31339YVV1, 3.38%, due 07/21/2008	-	125,056	-	-
FHLB 31339YVV1, 3.38%, due 07/21/2008	-	100,045	-	-
FHLB 3133X0LJ6, 3.75%, due 08/15/2008	-	75,109	-	-
FHLB 3133X0LJ6, 3.75%, due 08/15/2008	-	500,725	-	-
FHLB 3133X2BZ7, 3.63%, due 11/14/2008	-	100,370	-	-
FHLB 3133X2BZ7, 3.63%, due 11/14/2008	-	250,924	-	-
FHLB 3133X2BZ7, 3.63%, due 11/14/2008	-	190,702	-	-
FHLB 3133X2BZ7, 3.63%, due 11/14/2008	-	200,739	-	-
FHLB 3133X2BZ7, 3.63%, due 11/14/2008	-	100,370	-	-
FHLB 3133X3YY3, 3.50%, due 02/13/2009	-	271,138	-	-
FHLB 3133X3YY3, 3.50%, due 02/13/2009	-	210,885	-	-
FFCB 31331TVA6, 3.30%, due 03/02/2009	-	100,313	-	-
FFCB 31331TVA6, 3.30%, due 03/02/2009	-	75,235	-	-
FFCB 31331TVA6, 3.30%, due 03/02/2009	-	200,627	-	-
FHLB 3133X4ZC8, 3.00%, due 04/15/2009	-	310,448	-	-
Luna Cnty NM Sch Dist 1 550340BZ5, 4.45%, due 8/1/09	-	300,447	-	-
FHLB 3133X8CS9, 3.88%, due 08/14/2009	-	252,448	-	-
FHLB 3133X8CS9, 3.88%, due 08/14/2009	-	151,469	-	-
MBS FNMA 254535, 6.00%, due 10/01/2012	-	176,934	-	-
MBS FHLMC G11471 GOLD, 4.00%, due 11/01/2013	-	366,153	-	-

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Schedule 1 - Supplemental Schedule of Pledged Collateral

Bank of Albuquerque	Bank of the West	NMEFCU	New Mexico Bank & Trust	JP Chase Morgan	Xpress Bill Pay	Total
280,636	-	-	-	-	32,480	1,120,979
-	-	-	-	1,255	-	2,347,952
-	-	-	-	-	-	5,517,676
<u>100,000</u>	<u>1,140,000</u>	<u>100,000</u>	<u>200,000</u>	-	-	<u>10,165,000</u>
<u>380,636</u>	<u>1,140,000</u>	<u>100,000</u>	<u>200,000</u>	<u>1,255</u>	<u>32,480</u>	<u>19,151,607</u>
<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>1,000,000</u>
<u>280,636</u>	<u>1,040,000</u>	-	<u>100,000</u>	-	-	<u>18,317,872</u>
140,318	520,000	-	50,000	-	-	6,400,098
-	-	-	-	-	-	<u>5,628,030</u>
<u>140,318</u>	<u>520,000</u>	-	<u>50,000</u>	-	-	<u>12,028,128</u>
-	-	-	-	-	-	3,433,635
-	-	-	-	-	-	1,948,664
-	-	-	-	-	-	2,377,460
-	-	-	-	-	-	50,023
-	-	-	-	-	-	50,023
-	-	-	-	-	-	300,136
-	-	-	-	-	-	90,041
-	-	-	-	-	-	125,056
-	-	-	-	-	-	100,045
-	-	-	-	-	-	75,109
-	-	-	-	-	-	500,725
-	-	-	-	-	-	100,370
-	-	-	-	-	-	250,924
-	-	-	-	-	-	190,702
-	-	-	-	-	-	200,739
-	-	-	-	-	-	100,370
-	-	-	-	-	-	271,138
-	-	-	-	-	-	210,885
-	-	-	-	-	-	100,313
-	-	-	-	-	-	75,235
-	-	-	-	-	-	200,627
-	-	-	-	-	-	310,448
-	-	-	-	-	-	300,447
-	-	-	-	-	-	252,448
-	-	-	-	-	-	151,469
-	-	-	-	-	-	176,934
-	-	-	-	-	-	366,153

AS OF JUNE 30, 2008

	Wells Fargo	First Community Bank	SECU	My Bank
<b>Pledges and securities - continued:</b>				
FHR 3125 A 31396JS63, 5.13%, due 12/15/2013	\$ -	57,899	-	-
MBS FHLMC E00720 GOLD, 6.00%, due 07/01/2014	-	71,171	-	-
Los Lunas NM Sch Dist 1 545562KY5, 3.65%, due 07/15/2014	-	100,122	-	-
Alamogordo NM JT WTR 011500FU4, 4.00%, due 06/01/2015	-	178,918	-	-
Los Lunas NM Sch Dist 1 545562MF4, 3.75%, due 07/15/2017	-	494,330	-	-
Clovis NM Mun SD 1 189414FZ3, 3.80%, due 08/01/2017	-	74,461	-	-
Clovis NM Mun SD 1 189414FZ3, 3.80%, due 08/01/2017	-	74,461	-	-
MBS FHLMC M30281 GOLD 31282CJ24, 5.00%, due 11/01/2017	-	192,280	-	-
Los Lunas NM Sch Dist 1 545562MU1, 3.85%, due 07/15/2018	-	397,356	-	-
MBS FHLMC M30297 31282CKJ5, 4.00%, due 09/01/2018	-	455,268	-	-
MBS FHLMC M30301 31282CKN6, 4.50%, due 10/1/2018	-	32,011	-	-
FHR 2854 AK 31395FHB3, 4.00%, due 09/15/2019	-	563,974	-	-
MBS FHLMC Gold 31283K4D7, 4.50%, due 08/01/2020	-	1,288,916	-	-
Ruidoso NM Mun Sch Dist 3 781338GN2, 3.85%, due 08/01/2021	-	467,650	-	-
FHR 2812 OB 31395AUY9, 5.00%, due 12/15/2023	-	214,981	-	-
FHR 2812 OB 31395AUY9, 5.00%, due 12/15/2023	-	26,873	-	-
FHR 2812 OB 31395AUY9, 5.00%, due 12/15/2023	-	53,745	-	-
FHR 2857 AH 31395FS70, 5.00%, due 12/15/2023	-	31,309	-	-
FHR 2857 AH 31395FS70, 5.00%, due 12/15/2023	-	62,617	-	-
MBS GNMA II 36202C5R0, 5.50%, due 10/20/2028	-	154,425	-	-
FHR 3171 DB 31396TSJ3, 6.00%, due 12/15/2031	-	790,041	-	-
MBS FHLMC Gold 3128KQJW7, 5.50%, due 5/1/2037	-	920,830	-	-
AP US Treasury FD#0002, 1.00%	-	-	-	-
AP US Treasury FD#0002, 1.00%	-	-	-	-
FHLMC 3128GKV35, 6.00%, due 04/01/2011	-	-	-	-
FNMA 31359MTF0, 3.75%, due 09/15/2008	-	-	-	-
Clovis NM Mun SD 189414FK6, 5.25%, due 08/01/2013	-	-	-	-
<b>Total pledged securities</b>	<u>7,759,759</u>	<u>11,253,998</u>	-	-
<b>(Over) under pledged</b>	<u>\$ (1,367,811)</u>	<u>(6,328,137)</u>	-	-

Safekeeping locations for the above securities are as follows:

Wells Fargo: Wells Fargo Brokerage Services (Minneapolis, MN)

First State Bank: Federal Home Loan Bank of Dallas, Texas (Dallas, TX)



STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Schedule 1 - Supplemental Schedule of Pledged Collateral - continued

Bank of Albuquerque	Bank of the West	NMEFCU	New Mexico Bank & Trust	JP Chase Morgan	Xpress Bill Pay	Total
-	-	-	-	-	-	57,899
-	-	-	-	-	-	71,171
-	-	-	-	-	-	100,122
-	-	-	-	-	-	178,918
-	-	-	-	-	-	494,330
-	-	-	-	-	-	74,461
-	-	-	-	-	-	74,461
-	-	-	-	-	-	192,280
-	-	-	-	-	-	397,356
-	-	-	-	-	-	455,268
-	-	-	-	-	-	32,011
-	-	-	-	-	-	752,169
-	-	-	-	-	-	1,288,916
-	-	-	-	-	-	467,650
-	-	-	-	-	-	214,981
-	-	-	-	-	-	26,873
-	-	-	-	-	-	53,745
-	-	-	-	-	-	31,309
-	-	-	-	-	-	62,617
-	-	-	-	-	-	154,425
-	-	-	-	-	-	790,041
-	-	-	-	-	-	920,830
67,519	-	-	-	-	-	67,519
213,116	-	-	-	-	-	213,116
-	68,645	-	-	-	-	68,645
-	902,286	-	-	-	-	902,286
-	-	-	413,814	-	-	413,814
280,636	970,931	-	413,814	-	-	20,867,333
(140,318)	(450,931)	-	(363,814)	-	-	(8,839,206)

**YEAR ENDED JUNE 30, 2008**

	<b>First Community</b>			
	<u>Wells Fargo</u>	<u>Bank</u>	<u>SECU</u>	<u>My Bank</u>
<b>Deposits in bank or savings and loan:</b>				
Money market	\$ -	807,863	-	-
Bank deposits	2,311,441	35,256	-	-
Repurchase deposits	5,182,576	335,100	-	-
Certificates of deposit	<u>-</u>	<u>8,425,000</u>	<u>100,000</u>	<u>100,000</u>
<b>Total bank balance</b>	7,494,017	9,603,219	100,000	100,000
<b>Reconciling items:</b>				
Outstanding checks	(1,702,030)	(1,997,563)	-	-
Deposits in transit	3,989,115	273,855	-	-
Other adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total adjustments</b>	<u>2,287,085</u>	<u>(1,723,708)</u>	<u>-</u>	<u>-</u>
<b>Total book balance</b>	9,781,102	7,879,511	100,000	100,000
<b>Less agency fund balances included in bank balance</b>	<u>(968,609)</u>	<u>(35,256)</u>	<u>-</u>	<u>-</u>
<b>Total primary government</b>	\$ <u>8,812,493</u>	<u>7,844,255</u>	<u>100,000</u>	<u>100,000</u>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS**

**Schedule 2 - Schedule of Cash and Temporary Investment Accounts**

<u>Bank of Albuquerque</u>	<u>Bank of the West</u>	<u>NMEFCU</u>	<u>New Mexico Bank &amp; Trust</u>	<u>JP Chase Morgan</u>	<u>Xpress Bill Pay</u>	<u>Total</u>
280,636	-	-	-	-	32,480	1,120,979
-	-	-	-	1,255	-	2,347,952
-	-	-	-	-	-	5,517,676
<u>100,000</u>	<u>1,140,000</u>	<u>100,000</u>	<u>200,000</u>	-	-	<u>10,165,000</u>
380,636	1,140,000	100,000	200,000	1,255	32,480	19,151,607
-	-	-	-	-	-	(3,699,593)
-	-	-	-	-	-	4,262,970
-	-	-	-	-	-	-
-	-	-	-	-	-	<u>563,377</u>
380,636	1,140,000	100,000	200,000	1,255	32,480	19,714,984
-	-	-	-	-	-	<u>(1,003,865)</u>
<u><u>380,636</u></u>	<u><u>1,140,000</u></u>	<u><u>100,000</u></u>	<u><u>200,000</u></u>	<u><u>1,255</u></u>	<u><u>32,480</u></u>	<u><u>18,711,119</u></u>

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**YEAR ENDED JUNE 30, 2008**

	<u>Court Trust Fund</u>	<u>Central Solid Waste Authority</u>	<u>Central Dispatch</u>	<u>FSS Escrow</u>
<b>Assets, July 1, 2007</b>	\$ 2,142	682,341	46,090	7,094
<b>Increase</b>	33,268	621,982	1,166,911	5,915
<b>Decrease</b>	<u>32,947</u>	<u>420,445</u>	<u>1,143,742</u>	<u>-</u>
<b>Assets, June 30, 2008</b>	\$ <u>2,463</u>	<u>883,878</u>	<u>69,259</u>	<u>13,009</u>
<b>Liabilities, July 1, 2007</b>	\$ 2,142	682,341	46,090	7,094
<b>Increase</b>	33,268	621,982	1,166,911	5,915
<b>Decrease</b>	<u>32,947</u>	<u>420,445</u>	<u>1,143,742</u>	<u>-</u>
<b>Liabilities, June 30, 2008</b>	\$ <u>2,463</u>	<u>883,878</u>	<u>69,259</u>	<u>13,009</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Schedule 3 - Schedule of Changes in Assets and Liabilities - Agency Funds

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<u>COPS for Kids</u>	<u>Bail Bond Fund</u>	<u>Municipal Court Bond</u>	<u>Total</u>
9,439	-	138	747,244
(955)	22,607	26,634	1,876,362
<u>-</u>	<u>22,607</u>	<u>-</u>	<u>1,619,741</u>
<u>8,484</u>	<u>-</u>	<u>26,772</u>	<u>1,003,865</u>
9,439	-	138	747,244
(955)	22,607	26,634	1,876,362
<u>-</u>	<u>22,607</u>	<u>-</u>	<u>1,619,741</u>
<u>8,484</u>	<u>-</u>	<u>26,772</u>	<u>1,003,865</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Schedule 4 - Financial Data Schedule

YEAR ENDED JUNE 30, 2008

HUD Line Item #	Account Description	Section 8 Rental Voucher Program 14.871	Shelter Plus Care 14.238
<b>ASSETS:</b>			
111	Section 8 Fund Cash	\$ 281,392	-
121	Accounts receivable - PHA projects	-	-
<b>TOTAL ASSETS</b>		281,392	-
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
312	Accounts payable, less than 90 days	9,060	-
321	Accrued wage/payroll taxes payable	4,112	-
322	Accrued compensated absences	-	-
333	Due to general fund accounts payable - other government	-	-
Total liabilities		13,172	-
Fund balances:			
512	Unreserved, undesignated	268,220	-
Total fund equity		268,220	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>		\$ 281,392	-

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Schedule 4 - Financial Data Schedule - continued

YEAR ENDED JUNE 30, 2008

HUD Line Item #	Account Description	Section 8 Rental Voucher Program 14.871	Shelter Plus Care 14.238
<b>REVENUES:</b>			
706	HUD PHA operating grants	\$ 732,926	126,363
708	Other Government grants	-	-
711	Investment income - Unrestricted	7,389	-
714	Fraud recovery	438	-
715	Other revenue	<u>369,747</u>	<u>-</u>
	<b>TOTAL REVENUES</b>	<b>1,110,500</b>	<b>126,363</b>
<b>EXPENDITURES:</b>			
Current:			
911	Administrative salaries	91,379	11,561
912	Auditing fees	6,000	-
915	Employee benefit contribution - administrative	36,049	-
916	Other operating - administrative	-	5,215
962	Other general expenses	264,435	-
973	Housing assistance payments	<u>562,998</u>	<u>109,587</u>
	<b>TOTAL EXPENDITURES</b>	<b><u>960,861</u></b>	<b><u>126,363</u></b>
	<b>REVENUES UNDER EXPENDITURES</b>	<b>149,639</b>	<b>-</b>
	<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b><u>118,581</u></b>	<b><u>-</u></b>
	<b>FUND BALANCES, END OF YEAR</b>	<b>\$ <u><u>268,220</u></u> \$</b>	<b><u><u>-</u></u></b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Schedule 5 - Schedule of Funding Progress

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YEAR ENDED JUNE 30, 2008

<u>Actuarial Evaluation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Payroll</u>
7/1/2005	N/A	N/A	N/A	N/A	N/A	N/A
7/1/2006	N/A	N/A	N/A	N/A	N/A	N/A
7/1/2007	\$ -	4,001,788	4,001,788	0.00%	N/A	N/A



**SINGLE AUDIT**

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

**Supplemental Schedule of Expenditures of Federal Awards**

AS OF JUNE 30, 2008

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-through Identification Number	Federal Participating Expenditures
<b>Direct programs:</b>			
U.S. Department of Housing & Urban Development Section 8 Rental Voucher Program	14.871		\$ 734,602
U.S. Department of Housing & Urban Development Shelter Plus Care	14.238		120,374
U.S. Department of Transportation Federal Transit Capital Investment Grants	20.500		55,928
U.S. Environmental Protection Agency Congressionally Mandated Projects	66.202		<u>2,250,736</u>
<b>Total direct programs</b>			<b>3,161,640</b>
<b>Indirect programs:</b>			
Passed through NM Department of Finance and U.S. Department of Transportation:			
Welfare to Work Grant	20.518	49 U.S.C. 5309	63,000
Section 5311 Transportation Grant	20.509	49 U.S.C. 5311	<u>275,539</u>
<b>Total indirect programs</b>			<u>338,539</u>
<b>Total Federal assistance</b>			<b>\$ <u>3,500,179</u></b>

**Notes to the Supplemental Schedule of Expenditures of Federal Awards**

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**GENERAL**

The accompanying Supplemental Schedule of Expenditures of Federal Awards presents the activities of all federal awards of the Village.

**BASIS OF ACCOUNTING**

The accompanying Supplemental Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the financial statements.

**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***

Village Council  
Village of Los Lunas and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, and the combining and individual funds and budgetary comparisons presented as supplementary information of the Village of Los Lunas, New Mexico (the Village) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A **control deficiency** 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 misstatements on a timely basis. A **significant deficiency** is a control deficiency, or a combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-01, 08-03, 08-04, 08-05, 08-06, 08-07 and 08-08 to be significant deficiencies in internal control over financial reporting

MEYNERS + COMPANY, LLC

*Certified Public Accountants/Consultants to Business*



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*An Independent Member of the BDO Seidman Alliance*

Village Council  
Village of Los Lunas and  
Mr. Hector Balderas  
New Mexico State Auditor

### **Internal Control Over Financial Reporting - continued**

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision*, paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as finding 08-06.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Village's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Village Councilors, the Office of the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature and applicable federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Meyers + Company, LLC*

November 26, 2008

**REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Village Council  
Village of Los Lunas and  
Mr. Hector Balderas  
New Mexico State Auditor

**Compliance**

We have audited the compliance of the Village of Los Lunas, New Mexico (the Village), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Not-For-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

MEYERS + COMPANY, LLC

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Village Council  
Village of Los Lunas and  
Mr. Hector Balderas  
New Mexico State Auditor

## Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A **control deficiency** in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. Finding 08-06 in the attached schedule of findings and questioned costs is considered to be a significant deficiency.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Village Councilors, the Office of the State Auditor, and federal award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Meyers + Company, LLC*

November 26, 2008

Schedule of Findings and Questioned Costs

---

YEAR ENDED JUNE 30, 2008

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the State of New Mexico Village of Los Lunas (Village).
2. There were no instances of noncompliance material to the financial statements disclosed during the audit of the Village.
3. There were seven significant deficiencies disclosed during the audit of the financial statements and reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. There was one significant deficiency over the internal control over major programs identified.
5. There was one audit finding that the auditor is required to report under 510(a) of Circular A-133.
6. The auditors' report on compliance for the major federal award programs for the Village expresses an unqualified opinion.
7. The program tested as a major program was:  
66.202 U.S. EPA Congressionally Mandated Projects
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Village was determined to be a low-risk auditee.



Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2008

B. FINDINGS - FINANCIAL STATEMENT AUDIT

08-01 INTERNAL CONTROL OVER PAYROLL TRANSACTIONS (Significant Deficiency)

**Condition:** During our internal control test work over payroll transactions, we noted the following:

- ❖ One employee took .5 hours of sick leave; however, 5 hours were deducted from the employee's accumulated sick balance.
- ❖ One employee took 1.5 hours of annual leave on two separate occasions; however, only one hour on one of the days was authorized in advance.
- ❖ Recalculation of gross pay for one employee did not match the actual amount paid. The difference was \$55.80 (additional amount the employee should have been paid).

**Criteria:** Transactions should be properly calculated. Village leave policy requires that an employee obtain approval for leave in advance of taking the leave.

**Cause:** Data entry errors occurred due to manual processing of transactions.

**Effect:** The potential exists for material misstatement of leave expense and liability and payroll expense and liability.

**Recommendation:** We recommend that the Village implement review procedures to ensure that all manual transactions are properly calculated and recorded. We also recommend that, to the extent possible, payroll transactions be automated. We further recommend that the Village implement procedures to ensure that all leave is authorized in advance of leave being taken.

**Management Response:** The Village will be implementing an electronic timesheet system, which will be integrated with our current payroll financial system. The electronic timesheet will be entered by the employee or supervisor, and will be approved by the supervisor before it is sent to the Payroll Clerk. This automated process will comply with the auditor's recommendation, and the effective date of implementation will be on or near February 2009. The Village of Los Lunas' Personnel Ordinance addresses the issue of leave being authorized before it is taken off, and supervisors and department heads are held accountable in adhering to the ordinance.

08-02 INTERNAL CONTROL OVER RECEIPTS

**Condition:** During our internal control test work over receipts we noted the following:

- ❖ Two out of forty receipts were not deposited in a timely manner.
- ❖ One receipt packet could not be located by the Village.

Schedule of Findings and Questioned Costs - continued

---

YEAR ENDED JUNE 30, 2008

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**08-02 INTERNAL CONTROL OVER RECEIPTS - continued**

**Criteria:** Receipts should be deposited within 24 hours. This period is extended for weekends and holidays. Supporting documentation should be kept to support all transactions of the Village.

**Cause:** It is unknown why the receipts noted were not deposited in a timely manner. An employee inadvertently purged the cash receipt documents from the system.

**Effect:** Potential exists for deposits on hand to become lost or stolen. Transactions may not be verified for accuracy/appropriateness if they lack supporting documentation.

**Recommendation:** We recommend that all employees with deposit responsibilities are made aware of the deposit policy. We also recommend that management implement procedures to provide oversight to ensure that the policy is being followed. We further recommend that system controls be implemented to ensure that transactions cannot be deleted from the system.

**Response:** The Water Department Supervisor will ensure that cash deposits are made within 24 hours. The Water Department has currently implemented a desktop deposit scanner system, which converts paper checks to electronic checks. This process enables the clerk in the Water Department to make a timely deposit. Water Department staff has been directed to keep a log of all reversals done within a fiscal year to include approval by Supervisor and copy of receipt being reversed.

**08-03 CAPITAL ASSETS (Significant Deficiency)**

**Condition:** During our substantive test work over capital assets, we noted the following:

- ❖ Some tag numbers documented on the capital asset listing were not physically located on the asset during physical observation.
- ❖ One description on the capital asset listing did not match the actual asset during physical observation.
- ❖ Approximately \$70,000 in capital assets were incorrectly recorded as repairs and maintenance expense and reclassified to capital outlay and capital asset accounts.

**Criteria:** Capital asset records should be maintained to ensure that the physical assets can be identified.

**Cause:** It appears that this was caused by human error.

Schedule of Findings and Questioned Costs - continued

---

YEAR ENDED JUNE 30, 2008

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**08-03 CAPITAL ASSETS (Significant Deficiency) - continued**

**Effect:** A potential for loss of assets exists. Repairs and maintenance expenditures were overstated by approximately \$70,000 and capital assets/capital outlay understated by \$70,000.

**Recommendation:** We recommend that the Village ensure that every asset is on the capital asset listing.

**Response:** The Finance Officer will conduct an internal audit of fixed assets with the cooperation of supervisors and department heads to make certain that the description of the asset matches the Village's Fixed Asset Schedule and make any necessary changes. In addition, the Village will replace old asset tags that have become worn or illegible and ensure that asset tag numbers coincide with the Fixed Asset Schedule.

**08-04 CASH TRANSACTIONS (Significant Deficiency)**

**Statement of Condition:** During our substantive test work over cash, we noted the following:

- ❖ There was unposted interest at year end in the amount of \$5,487.
- ❖ Due to /from other funds were incorrectly posted as cash and noted as reconciling items on the bank reconciliations in the amount of \$1.2 million.

**Criteria:** Amounts should be recorded in the proper accounts at year end. The general ledger should contain all transactions of the Village.

**Cause:** Incorrect accounting for due to/from other funds. The Village did not post all transactions related to 6/30/08.

**Effect:** Interfund transactions were understated and cash was overstated in the amount of \$1.2 million. Cash was understated by \$5,487.

**Recommendation:** We recommend that the Village post all transactions, including interest, to properly reflect cash accounts at year end. We further recommend that interfund transactions be recorded as such, rather than reconciling items on the bank reconciliations.

Schedule of Findings and Questioned Costs - continued

---

YEAR ENDED JUNE 30, 2008

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**08-04 CASH TRANSACTIONS (Significant Deficiency) - continued**

**Response:** The reconciling items noted above will be posted at fiscal year end to ensure correct financial reporting for financial statement purposes. The \$1.1 million was a transfer from one bank account to another, and the Finance Officer will make certain that there is a journal entry posted at fiscal year end to properly report this transfer difference. Furthermore, the \$5,487 was unposted interest at June 30, 2008, and the accounting department will make certain at fiscal year end that all interest revenue received at fiscal year end is included and posted in the period earned.

**08-05 ACCOUNTING FOR ENCUMBRANCES (Significant Deficiency)**

**Statement of Condition:** During our test work over fund balance and net assets, we noted that the Village was incorrectly accounting for encumbrances. The Village is booking encumbrances as debits to expenditures/capital assets and credits to fund balance/equity. Reclassifications were required to correct net assets/expenditures/capital assets in the enterprise funds in the amount of \$2.4 million. Reclassifications were required to correct governmental funds in the amount of \$228,000.

**Criteria:** Encumbrances should be booked as a reservation of current fund balance and/or net assets, not directly to expenditure accounts.

**Cause:** Improper accounting application by the Village.

**Effect:** Expenditures and net assets were overstated by \$2.4 million in the enterprise funds. Expenditures and fund balance were overstated by \$228,000 in the governmental funds.

**Recommendation:** We recommend that encumbrances be booked as a reservation of fund balance and that subsidiary ledgers for encumbrances be maintained to support encumbrance reservations.

**Response:** The accounting staff and Finance Officer were unaware that posting encumbrances at year-end to set aside funds for current projects was an improper accounting application. The accounting staff will no longer include encumbrances as expenses at fiscal year end and will instead include these types of transactions as a reservation of fund balance as directed by our Auditors.

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2008

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**08-06 FEDERAL GRANT COMPLIANCE (Significant Deficiency)**

**Statement of Condition:** The Village of Los Lunas has not been filing the Financial Status Report (SF-269) for the Wastewater System Improvements grant from the Environmental Protection Agency. Three of the four quarterly EPA 5700-52A reports were filed late during FY08. The Village is not in compliance with the Resource Conservation and Recovery Act (RCRA), as no documentation could be provided to support compliance.

**Criteria:** The Grant Agreement states that The Village is supposed to file a semi-annual SF-269 report. Furthermore, the grant agreement requires that a quarterly EPA 5700-52A report be submitted to the EPA within 30 days after the end of each Federal fiscal quarter. To comply with the RCRA, the Village is supposed to give preference in procurement programs to the purchase of specific products containing recycled materials identified in guidelines developed by the EPA.

**Cause:** Village personnel carrying out the grant were not aware of the specific grant requirements noted above.

**Effect:** Noncompliance with the grant agreement could result in revocation of grant money.

**Recommendation:** We recommend that Village employees ensure they have a thorough knowledge of the requirements of all grants and that they implement controls to ensure the requirements are met.

**Response:** Village staff was unaware of the reporting requirement of the EPA grant; however, all financial reports will be brought current and will be maintained and processed on time as per the grant agreement.

**08-07 JOURNAL ENTRY REVIEW AND DOCUMENTATION**

**Statement of Condition:** During our review of journal entries, we noted that there is no formal process for review and approval of journal entries. Many journal entries reviewed did not contain documentation to support the entries (although the journal entries appeared reasonable).

**Criteria:** Journal entries should have appropriate back-up and appropriate approval so that management or auditors can easily review the journal entry and understand why it was made.

**Cause:** Lack of a formal policy/process for review and approval of journal entries.

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2008

**B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued**

**08-07 JOURNAL ENTRY REVIEW AND DOCUMENTATION - continued**

**Effect:** Without proper approval and backup documentation procedures, there is an increase in the risk of misstatement due to error or fraud.

**Recommendation:** Implement controls to require and monitor approval of journal entries and to include appropriate backup that agrees to the journal entries.

**Response:** The Finance Officer will have the appropriate management designee review and approve all journal entries that have been requested or initiated by the accounting department. In addition, the Finance Officer will continue to keep proper documentation for the journal entries, which can be tied to the General Ledger.

**08-08 OVERSPENDING OF BUDGETED EXPENDITURES (Significant Deficiency)**

**Statement of Condition:** The Village overspent budgeted expenditures in the Transportation Building Project fund by \$8,928.

**Criteria:** According to State Auditor Rule 2.2.2.10, if an agency's expenditures exceed its budget in any category, this fact must be disclosed in a finding.

**Cause:** The Village had a positive budget variance in revenues and spent the excess revenues without processing a budget adjustment resolution for the expenditures.

**Effect:** The Village is out of compliance with statutory requirements to obtain approval prior to making expenditures.

**Recommendation:** The Village should make sure their actual expenditures do not exceed the budget.

**Response:** The result of the over expenditures in the Transportation Building Project was not recognized as overspent during the final budget review process for fiscal year 2008, due to the fact that this fund had a positive balance. During the fiscal year there was a purchase order that was voided from fiscal year 2007, which reduced the total overall expenditures of this fund. Management was not aware that a purchase order that was reversed would have an adverse effect on the overall expenditures; and, consequently, result in an audit finding for the current year being audited. The Finance Officer will make sure that future purchase orders that are voided are not accounted for in the total expenditures when reviewing total budget activity.

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2008

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS

08-06 FEDERAL GRANT COMPLIANCE (Significant Deficiency)

**Statement of Condition:** The Village of Los Lunas has not been filing the Financial Status Report (SF-269) for the Wastewater System Improvements grant from the Environmental Protection Agency. Three of the four quarterly EPA 5700-52A reports were filed late during FY08. The Village is not in compliance with the Resource Conservation and Recovery Act (RCRA), as no documentation could be provided to support compliance.

**Criteria:** The Grant Agreement states that the Village is supposed to file a semi-annual SF-269 report. Furthermore, the grant agreement requires that a quarterly EPA 5700-52A report be submitted to the EPA within 30 days after the end of each Federal fiscal quarter. To comply with the RCRA, the Village is supposed to give preference in procurement programs to the purchase of specific products containing recycled materials identified in guidelines developed by the EPA.

**Cause:** Village personnel carrying out the grant were not aware of the specific grant requirements noted above.

**Effect:** Noncompliance with the grant agreement could result in revocation of grant money.

**Recommendation:** We recommend that Village employees ensure they have a thorough knowledge of the requirements of all grants and that they implement controls to ensure the requirements are met.

**Response:** Village staff was unaware of the reporting requirement of the EPA grant; however, all financial reports will be brought current and will be maintained and processed on time as per the grant agreement.

Summary Schedule of Prior Year Audit Findings

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**STATUS OF PRIOR YEAR AUDIT FINDINGS**

07-01            Municipal Court Segregation of Duties – Cleared



STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS

Exit Conference

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An exit conference was held with the Village on December 1, 2008. The conference was held at the Village of Los Lunas, New Mexico. In attendance were:

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS

Louis F. Huning, Mayor  
Phillip Jaramillo, Administrator  
Monica Clarke, Financial Officer  
Peter Fernandez, Financial Planner

MEYNER + COMPANY, LLC

Janet Pacheco-Morton, Senior Manager  
Eric Miller, In Charge

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.