



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

FINANCIAL STATEMENTS

JUNE 30, 2009

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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STATE OF NEW MEXICO VILLAGE OF LOS LUNAS

Official Roster

June 30, 2009

Robert Vialpando	Mayor
Charles Griego	Mayor Pro-Tem
Gerard Saiz	Council
Cecilia Castillo	Council
Richard Lovato	Council
Peter Fernandez	Village Administrator
Monica Clarke	Finance Officer

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the general fund and major special revenue fund budgetary comparisons, and the aggregate remaining fund information of The State of New Mexico Village of Los Lunas (the Village) as of and for the year ended June 30, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Village's non-major funds, including the budgetary comparisons, and the budgetary comparisons of the major debt service fund and major enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, 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 Village's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, major funds, and the aggregate remaining fund information of the Village as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons of the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statements referred to above present fairly, in all material respects the financial position of each nonmajor fund of the Village, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, the budget statements referred to above present fairly, in all material respects the budgetary comparisons of the major debt service fund, the nonmajor governmental funds and the major enterprise funds for the year ended June 30, 2009 in conformity with the budgetary basis more fully described in Note 1 which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2011 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, 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 on pages 5 – 14 is not a part of the basic financial statements but is supplementary information required by the 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.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and the budget comparisons. The accompanying schedule of expenditures of federal awards (as restated) 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, including the Financial Data Schedule and the Schedule of Changes in Assets and Liabilities of Agency Funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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.

As described in Note 3 to the Schedule of Expenditures Federal Awards (as restated) it has been restated to include previously unreported federal expenditures of \$12,694,911 from U.S. Environmental Protection Agency.

Mess Adams LLP

Albuquerque, New Mexico
October 10, 2011

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

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 \$47,523,605 for fiscal year 2009.
- The Village's governmental program revenues were \$5,877,361 for fiscal year 2009.
- The total cost of all Village governmental programs was \$18,41,702.

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.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009**

Overview of the Financial Statements

The 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.

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 balances 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 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 15 through 17 of this report.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009**

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 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 of 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 use charges. The Village has the following enterprise funds: Water and Sewer Fund, Solid Waste Fund and Transportation Fund.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009**

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, they 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 user's understanding of the basic financial statements.

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, 2009.

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 12,089,151	16,852,195	6,415,760	3,971,014	18,504,911	20,823,209
Capital and non-current assets	47,755,408	48,146,665	57,033,403	42,626,307	104,788,811	90,772,972
Total assets	\$ 59,844,559	64,998,860	63,449,163	46,597,321	123,293,722	111,596,181
Current liabilities	\$ 1,824,757	3,185,813	3,524,003	1,907,701	5,348,760	5,093,514
Long-term liabilities	10,496,197	10,572,316	24,030,742	11,762,856	34,526,939	22,335,172
Total liabilities	12,320,954	13,758,129	27,554,745	13,670,557	39,875,699	27,428,686
Net Assets:						
Invested in capital assets, net of related debt and unspent bond proceeds	37,043,367	37,398,416	33,890,419	31,733,518	70,933,786	69,131,934
Restricted	12,031,105	16,622,718	-	-	12,031,105	
Unrestricted	(1,550,867)	(2,780,403)	2,003,999	1,193,246	453,132	(1,587,157)
Total net assets	47,523,605	51,240,731	35,894,418	32,926,764	83,418,023	84,167,495
Total liabilities and net assets	\$ 59,844,559	64,998,860	63,449,163	46,597,321	123,293,722	111,596,181

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009**

Financial Analysis of the Village as a Whole (Continued)

For the fiscal year ending June 30, 2009, the Village had \$47,755,408 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and water sewer lines. This amount represents a slight decrease from prior year. In fiscal year 2009, the Village disposed of obsolete and worn-out inventory. Capital assets (net of accumulated depreciation) make up 80% 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.

In fiscal year 2009, the net assets from the Village's governmental funds decreased by 7.9% from the prior fiscal year. The primary reason for the decrease in net assets is due to a \$5,000,000 transfer from the Bond Reserve Fund to the Water Sewer Fund which was to help fund the construction costs of the \$15,000,000 WWTP Expansion Project. The Village's gross receipts tax and property taxes had a 3.7% 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 2009, there is \$12,031,105 in restricted net assets; restricted net assets are mainly for capital projects and special purposes. In addition, net revenues benefited from increased grant and operating revenue along with an increase in property tax revenues.

In 2009, the net assets of our business-type activities increased 9% over the prior fiscal year. This increase is due to capital assets that were added to the Village's inventory for fiscal year 2009. 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 \$10,496,197 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.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009**

Financial Analysis of the Village as a Whole (Continued)

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 utilizes, 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.

There was \$154,290 in new debt issued for fiscal year 2009 for governmental activities for the purchase of a street sweeper. For business-related activities, there was new debt issued in the amount of \$22,123,813. The new debt issued was for the purchase of equipment and for construction of projects as follows: 1) Truck with crane for the WWTP at \$63,813, 2) NMFA Drinking Water Loan for the Arsenic Treatment Project at \$6,060,000 and 3) Clean Water Sewer Revolving Fund (CWSRF 007) for the WWTP Expansion Project in the amount of \$16,000,000.

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 (CONTINUED)
June 30, 2009**

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 the fiscal year 2009.

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,817,484	1,965,662	8,917,419	8,982,702	10,734,903	10,948,364
Operating grants & contributions	4,059,877	3,391,351	-	-	4,059,877	3,391,351
Capital grants & contributions	-	55,928	-	-	-	55,928
General revenues:						
Property taxes	1,993,157	1,698,354	-	-	1,993,157	1,698,354
Other taxes	11,741,736	11,542,823	-	-	11,741,736	11,542,823
Miscellaneous	133,080	252,715	461,722	2,965,623	885,028	3,218,338
Interest & other revenues	153,965	489,803	(244,214)	-	153,965	489,803
Total revenues	19,899,199	19,396,636	9,134,927	11,948,325	29,124,615	31,344,961
Expenses:						
General government	4,648,184	4,616,171	-	-	4,597,487	4,616,171
Public safety	5,827,255	4,952,437	-	-	5,828,881	4,952,437
Highways & streets	3,729,495	3,659,552	-	-	3,729,495	3,659,552
Culture & recreation	2,715,748	2,222,648	-	-	2,715,748	2,222,648
Health & welfare	1,198,715	1,161,170	-	-	1,198,715	1,161,170
Interest on long-term debt	295,305	309,071	-	89,812	539,519	398,883
Water/sewer	-	-	8,720,210	4,703,823	8,720,210	4,703,823
Solid waste	-	-	1,988,430	2,630,973	1,988,430	2,630,973
Transportation	-	-	597,763	669,849	597,763	669,849
Total expenses	18,414,702	16,921,049	11,306,403	8,094,457	29,916,248	25,015,506
Net revenues (loss) before Transfer	1,484,497	2,475,587	(2,171,476)	3,853,868	(791,633)	6,329,455
Transfers	(5,117,421)	(149,225)	5,139,130	20,006	(244,139)	(129,219)
Disposition of capital asset	(84,302)	(9,847)	-	-	(84,302)	(9,847)
Increase in net assets	(4,087,728)	2,316,515	2,967,654	3,873,874	(1,120,074)	6,190,389
Net assets, beginning of year, (2008) restated	51,240,731	48,924,216	32,926,764	29,052,890	84,167,495	77,977,106
Net assets, end of year	\$ 47,523,605	51,240,731	35,894,418	32,926,764	83,047,421	84,167,495

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009**

Financial Analysis of the Village' 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 \$20,913,161 and actual revenues received were \$13,488,134, which is a negative variance of approximately \$7,425,027. In addition, the total General Fund expense budget was \$20,345,056 and actual expenditures were \$14,798,717, which is a positive variance of approximately \$5,546,339.

There were no significant differences between the original and final budgeted revenue amounts for the General Fund. The expenditures increased by approximately \$272,513 from the original to the final budget, due mainly to projected increases in public safety and culture and recreation.

Progress Highlights for Fiscal year 2009

- The Village has completed six of seven phases as defined by the Water Master Plan. The seven phases are as follows:
 - Phase I: Tank and Transmission Line
 - Phase II: Transmission Line
 - Phase III: Water Well
 - Phase IV: Reconstruct Pump Station
 - Phase V: South Water Loop Installation
 - Phase VI: South Water Loop Extension
 - Phase VII: North Water Loop Installation
- Only the South Loop Extension remains
- Continued construction on the \$6,060,000 Arsenic Project
- Continued construction on the \$15,000,000 WWTP Expansion Project
- Hired 2 "certified" police officers
- 10th Certificate of Achievement for Outstanding Development and Preparation of the Governmental Operating Budget
- Completed Nova Time payroll timesheet software project including employee training and implementation
- Purchased 4 new police units
- Received 2 passenger vans for the Transportation Program from NMDOT with a 20% in-kind match
- Installed lighting at Enchantment Little League Field and Sports Complex
- Initiated project for a west side park for the Huning Ranch Subdivision

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009**

Economic Factors and Next Year's Budget and Rates

The coming year will continue to present many challenges for the Village of Los Lunas. The budget for fiscal year 2010 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.

Significant efforts continue to be directed toward community development related activities, including zoning cases and code enforcement cases. One of the Villages' newest economic development efforts will revolve around the 1000 acre annexation on the west side of Los Lunas. Fiscal Year 2009-2010 budget highlights include expenditures in the following areas:

1. Focusing on economic development. The Village's priority is to continue efforts to attract new businesses to Los Lunas. The need for new retail trades to provide new employment opportunities for citizens of Los Lunas as well as Valencia County will become more important given the state of the national economy.
2. Continuing to work with an Economic Development Specialist to assist in attracting both industrial development and retail trade especially with the property annexed into the Village.

Since the Village of Los Lunas is a service-oriented organization, a significant portion of the budgeted expenditures will be personnel services (i.e. payroll, health insurance, sick leave, retirement, etc.). Several other employee related expenditures are treated as operating expenses, and therefore, not categorized as personnel services. In Fiscal Year 2009-2010, we will strive to provide the following:

1. Emphasize employee training
2. Emphasize the Village Safety Program to continually lower the Village's workers compensation modifier.

The primary industry in the Village of Los Lunas continues to be retail trade. Although revenue from gross receipt taxes has declined, economic indicators demonstrate that the local economy is stable. Major retail trade in Los Lunas includes a Wal-Mart Super Center, Home Depot and two Walgreens.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2009**

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

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF NET ASSETS
June 30, 2009**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 9,377,096	2,814,455	12,191,551
Restricted cash	-	213,715	213,715
Investments	964,382	480,000	1,444,382
Receivables, net	1,747,673	2,682,066	4,429,739
Internal balances	-	187,258	187,258
Inventories	-	38,266	38,266
Total current assets	<u>12,089,151</u>	<u>6,415,760</u>	<u>18,504,911</u>
Noncurrent Assets			
Capital assets	83,817,393	77,008,928	160,826,321
Less accumulated depreciation	(36,061,985)	(19,975,525)	(56,037,510)
Total noncurrent assets	<u>47,755,408</u>	<u>57,033,403</u>	<u>104,788,811</u>
Total assets	<u>\$ 59,844,559</u>	<u>63,449,163</u>	<u>123,293,722</u>
LIABILITIES			
Accounts payable	\$ 352,280	2,156,759	2,509,039
Accrued payroll expenses	345,117	76,122	421,239
Customer deposits	-	213,715	213,715
Long-term liabilities			
Due within one year			
Bonds, notes, capital leases and compensated absences	1,127,360	1,077,407	2,204,767
Due in more than one year			
Bonds, notes and capital leases	9,584,681	23,142,984	32,727,665
Compensated absences	33,155	8,059	41,214
Post-closure landfill costs	-	879,699	879,699
Net other postemployment benefits obligation	878,361	-	878,361
Total liabilities	<u>12,320,954</u>	<u>27,554,745</u>	<u>39,875,699</u>
NET ASSETS			
Invested in capital assets, net of related debt	37,043,367	33,890,419	70,933,786
Restricted for			
Capital projects	1,285,909	-	1,285,909
Debt service	281,618	-	281,618
Unrestricted (deficit)	8,912,711	2,003,999	10,916,710
Total net assets	<u>47,523,605</u>	<u>35,894,418</u>	<u>83,418,023</u>
Total net assets and liabilities	<u>\$ 59,844,559</u>	<u>63,449,163</u>	<u>123,293,722</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,648,184	1,618,271	2,314,847	-
Public safety	5,827,255	81,480	123,181	-
Public works	3,729,495	-	32,344	-
Health, welfare and sanitation	1,198,715	18,022	1,589,505	-
Culture and recreation	2,715,748	99,711	-	-
Interest on long-term debt	295,305	-	-	-
Total governmental activities	18,414,702	1,817,484	4,059,877	-
Business-Type Activities				
Water sewer	8,720,210	6,871,484	-	-
Solid waste	1,988,430	1,719,470	-	-
Transportation	597,763	326,465	-	-
Total business-type activities	11,306,403	8,917,419	-	-
Total primary government	\$ 29,721,105	10,734,903	4,059,877	-

General Revenues

Taxes
Property taxes, levied for general purposes
Franchise tax
Sales tax
Other taxes
Disposition of capital assets
Unrestricted investment earnings (expense)
Miscellaneous
Transfers

**Total general revenues, special items,
and transfers**

Change in net assets

Net assets, beginning

Net assets, ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

	Governmental Activities	Business-Type Activities	Total
\$	(715,066)	-	(715,066)
	(5,622,594)	-	(5,622,594)
	(3,697,151)	-	(3,697,151)
	408,812	-	408,812
	(2,616,037)	-	(2,616,037)
	(295,305)	-	(295,305)
	(12,537,341)	-	(12,537,341)
	-	(1,848,726)	(1,848,726)
	-	(268,960)	(268,960)
	-	(271,298)	(271,298)
	-	(2,388,984)	(2,388,984)
	(12,537,341)	(2,388,984)	(14,926,325)
	1,993,157	-	1,993,157
	315,524	-	315,524
	11,123,511	-	11,123,511
	302,701	-	302,701
	(84,302)	-	(84,302)
	153,965	(244,214)	(90,249)
	133,080	461,722	594,802
	(5,117,421)	5,139,130	21,709
	8,820,215	5,356,638	14,176,853
	(3,717,126)	2,967,654	(749,472)
	51,240,731	32,926,764	84,167,495
\$	47,523,605	35,894,418	83,418,023

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Infrastructure Fund	2003 Bond Acquisition	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,849,562	1,305,041	-	1,222,493	9,377,096
Investments	964,382	-	-	-	964,382
Due from other funds	-	-	-	-	-
Receivable from other governments	1,694,479	-	-	12,839	1,707,318
Other receivables	-	-	-	40,355	40,355
Total assets	\$ 9,508,423	1,305,041	-	1,275,687	12,089,151
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 51,416	280,979	-	19,885	352,280
Accrued payroll expenses	329,215	-	-	15,902	345,117
Total liabilities	380,631	280,979	-	35,787	697,397
FUND BALANCES					
Reserved for					
Debt service	-	-	-	281,618	281,618
Capital projects	-	1,024,062	-	261,847	1,285,909
Unreserved	9,127,792	-	-	-	9,127,792
Unreserved, reported in non-major	-	-	-	696,435	696,435
Total fund balances	9,127,792	1,024,062	-	1,239,900	11,391,754
Total liabilities and fund balances	\$ 9,508,423	1,305,041	-	1,275,687	12,089,151

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
Year Ended June 30, 2009**

Total Fund Balance - Governmental Funds	
Governmental Funds Balance Sheet	\$ 11,391,754

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.

Cost of capital assets	83,817,393
Accumulated depreciation	<u>(36,061,985)</u>
Total capital assets	<u>47,755,408</u>

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)	(10,413,648)
Compensated absences payable	<u>(331,548)</u>
Total long-term and other liabilities	<u>(10,745,196)</u>

The liability recorded for the year ended June 30, 2009 related to postemployment benefits obligation is:	<u>(878,361)</u>
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Net assets of governmental activities (Statement of Net Assets)	<u><u>\$ 47,523,605</u></u>
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See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General Fund	Infrastructure Fund	2003 Bond Acquisition	Other Governmental Funds	Total Governmental Funds
Revenues					
Sales and miscellaneous taxes	\$ 11,898,208	1,646,517	-	190,168	13,734,893
Fees and fines	159,866	-	-	-	159,866
Licenses and permits	471,014	-	-	-	471,014
Intergovernmental	2,314,847	32,344	-	1,712,686	4,059,877
Charges for services	987,391	-	-	199,213	1,186,604
Investment earnings	142,496	3,615	-	7,854	153,965
Miscellaneous	133,080	-	-	-	133,080
Total revenues	16,106,902	1,682,476	-	2,109,921	19,899,299
Expenditures					
Current					
General government	3,593,790	-	-	149,715	3,743,505
Public safety	5,069,163	-	-	519,335	5,588,498
Public works	872,203	-	-	238,757	1,110,960
Health and sanitation	6	-	-	1,177,596	1,177,602
Culture and recreation	2,273,101	-	-	61,542	2,334,643
Debt Service					
Principal	-	-	-	754,534	754,534
Interest and other charges	-	-	-	295,305	295,305
Capital outlay	2,630,471	927,802	-	48,775	3,607,048
Total expenditures	14,438,734	927,802	-	3,245,559	18,612,095
Excess (deficiency) of revenues over (under) expenditures	1,668,168	754,674	-	(1,135,638)	1,287,204
Other Financing Sources (Uses)					
Reversions to State General Fund	-	-	-	-	-
Proceeds from long-term debt, net	-	279,494	-	140,619	420,113
Transfers in	211,665	-	-	894,713	1,106,378
Transfers out	(581,810)	(637,265)	(5,000,000)	(4,724)	(6,223,799)
Total other financing sources (uses)	(370,145)	(357,771)	(5,000,000)	1,030,608	(4,697,308)
Net change in fund balances	1,298,023	396,903	(5,000,000)	(105,030)	(3,410,104)
Fund balances, beginning of year	7,829,769	627,159	5,000,000	1,344,930	14,801,858
Fund balances, end of year	\$ 9,127,792	1,024,062	-	1,239,900	11,391,754

See Notes to Financial Statements.

**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, 2009**

**Net Change in Fund Balances - Total Governmental Funds
(Statement of Revenue, Expenditures, and Changes
in Fund Balances)**

\$ (3,410,104)

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
amount actually paid). The total increase in the liability
for the fiscal year was

Total payable	(331,548)
Fund level total - prior year	425,164
Net change	<u>93,616</u>

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	754,534
Debt proceeds	(420,113)

Some expenses reported in the statement of activities do not
require the use of current financial resources and therefore are not
reported as expenditures in governmental funds. The increase
in other post employment benefits obligation from June 30, 2008
June 30, 2009 is:

(343,802)

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

Loss on disposal of capital assets	(84,302)
Capital outlay	3,607,047
Depreciation expense	<u>(3,914,002)</u>

Excess (deficiency) of capital outlay over depreciation expense and loss on asset disposal	<u>(391,257)</u>
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**Change in net assets of governmental activities
(Statement of Activities)**

\$ (3,717,126)

See Notes to Financial Statements.

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, 2009

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 12,424,538	12,424,538	10,395,295	(2,029,243)
Licenses and permits	251,282	251,282	471,014	219,732
Intergovernmental	6,388,142	6,388,142	1,288,055	(5,100,087)
Governmental Grants	134,828	134,828	9,000	(125,828)
Charges for services	1,169,626	1,169,626	987,391	(182,235)
Fines and forfeitures	133,598	133,598	159,866	26,268
Miscellaneous	185,454	185,454	33,748	(151,706)
Interest	225,693	225,693	143,765	(81,928)
Total revenues	20,913,161	20,913,161	13,488,134	(7,425,027)
Expenditures				
General government	4,271,247	4,367,447	3,916,790	450,657
Public safety	5,782,034	5,958,347	5,069,163	889,184
Highways and streets	6,350,540	6,350,540	3,502,326	2,848,214
Culture and recreation	3,668,722	3,668,722	2,310,438	1,358,284
Health and welfare	-	-	-	-
Total expenditures	20,072,543	20,345,056	14,798,717	5,546,339
Other Financing Sources				
Operating transfers in (out)	(555,371)	(578,190)	(581,810)	(3,620)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 285,247	(10,085)	(1,892,393)	(1,882,308)
Changes in accounts receivable			2,779,736	
Changes in accounts payable			37,337	
Changes in accrued liabilities			373,343	
GAAP change in fund balance			\$ 1,298,023	

See Notes to Financial Statements.

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, 2009

	Infrastructure Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,191,970	2,191,970	1,672,973	(518,997)
Interest	112,274	112,274	4,218	(108,056)
Intergovernmental	501,108	501,108	311,838	(189,270)
Miscellaneous	-	-	-	-
	<u>2,805,352</u>	<u>2,805,352</u>	<u>1,989,029</u>	<u>(816,323)</u>
Expenditures				
General government	-	-	-	-
Highways and streets	-	-	-	-
Capital outlay	2,168,000	2,168,000	927,802	1,240,198
	<u>2,168,000</u>	<u>2,168,000</u>	<u>927,802</u>	<u>1,240,198</u>
Other Financing Sources				
Operating transfers in (out)	(637,005)	(637,005)	(637,265)	(260)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 347</u>	<u>347</u>	<u>423,962</u>	<u>423,615</u>
Changes in accounts receivable			<u>(27,059)</u>	
GAAP change in fund balance			<u>\$ 396,903</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2009

	Enterprise Funds			Total
	Water Sewer Fund	Solid Waste Fund	Transportation Fund	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,281,176	1,493,958	39,321	2,814,455
Restricted cash	213,715	-	-	213,715
Investments	240,000	240,000	-	480,000
Accounts receivable, net	2,416,379	238,909	26,778	2,682,066
Due from other funds	-	187,258	-	187,258
Inventories	38,266	-	-	38,266
Total current assets	4,189,536	2,160,125	66,099	6,415,760
Noncurrent Assets				
Capital assets	72,947,351	3,779,032	282,545	77,008,928
Less accumulated depreciation	(16,985,413)	(2,792,152)	(197,960)	(19,975,525)
Total noncurrent assets	55,961,938	986,880	84,585	57,033,403
Total assets	\$ 60,151,474	3,147,005	150,684	63,449,163
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 1,670,040	485,800	919	2,156,759
Salaries payable	30,293	27,127	18,702	76,122
Customer deposits	213,715	-	-	213,715
Current portion of debt	898,373	166,478	12,556	1,077,407
Total current liabilities	2,812,421	679,405	32,177	3,524,003
Non-Current Liabilities				
Compensated absences	4,294	2,370	1,395	8,059
Capital lease obligation	504,176	217,597	-	721,773
Post-closure landfill costs	-	879,699	-	879,699
Bonds, notes and loans payable	22,421,211	-	-	22,421,211
Total non-current liabilities	22,929,681	1,099,666	1,395	24,030,742
NET ASSETS				
Invested in capital assets, net of related debt	33,036,551	769,283	84,585	33,890,419
Unrestricted	1,372,821	598,651	32,527	2,003,999
Total net assets	34,409,372	1,367,934	117,112	35,894,418
Total liabilities and net assets	\$ 60,151,474	3,147,005	150,684	63,449,163

See 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, 2009

	Enterprise Funds			Total
	Water Sewer Fund	Solid Waste Fund	Transportation Fund	
Revenues				
Charges for services	\$ 6,871,484	1,719,470	326,465	8,917,419
Miscellaneous	76,264	329,159	56,299	461,722
Total operating revenues	6,947,748	2,048,629	382,764	9,379,141
Operating Expenses				
Personal services	779,990	708,267	491,278	1,979,535
Miscellaneous expenses	6,307,149	1,020,450	54,143	7,381,742
Depreciation	1,633,071	259,713	52,342	1,945,126
Total operating expenses	8,720,210	1,988,430	597,763	11,306,403
Operation income (loss)	(1,772,462)	60,199	(214,999)	(1,927,262)
Non-Operating Revenues (Expenses)				
Interest and investment revenue	37,298	16,287	-	53,585
Interest expense	(278,232)	(19,567)	-	(297,799)
Total non-operating revenue (expenses)	(240,934)	(3,280)	-	(244,214)
Income (loss) before contributions and transfers	(2,013,396)	56,919	(214,999)	(2,171,476)
Capital Contributions				
Transfers in	5,000,000	-	177,059	5,177,059
Transfers out	(15,622)	(13,939)	(8,368)	(37,929)
Change in net assets	2,970,982	42,980	(46,308)	2,967,654
Net assets, beginning of year	31,438,390	1,324,954	163,420	32,926,764
Net assets, end of year	\$ 34,409,372	1,367,934	117,112	35,894,418

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2009

	Water Sewer Fund	Solid Waste Fund	Transportation Fund	Total
Cash Flows From Operating Activities				
Cash received from customers and others	\$ 6,945,554	1,966,288	379,152	9,290,994
Cash paid for goods and services	(4,093,722)	(918,922)	(84,460)	(5,097,104)
Cash paid to employees	(774,291)	(706,635)	(485,651)	(1,966,577)
Net cash provided (used) by operating activities	2,077,541	340,731	(190,959)	2,227,313
Cash Flows From Non-Capital Financing Activities				
Operating transfers, net	4,984,379	(13,939)	168,691	5,139,131
Cash Flows From Capital and Related Financing Activities				
Distribution system and equipment purchases	(17,005,493)	(6,559)	-	(17,012,052)
Debt proceeds	13,295,237	-	-	13,295,237
Debt payment	(909,688)	(150,480)	-	(1,060,168)
Interest paid	(278,232)	(21,223)	-	(299,455)
Net cash used by capital and related financing activities	(4,898,176)	(178,262)	-	(5,076,438)
Cash Flows From Investing Activities				
Interest received	37,298	16,287	-	53,585
Proceeds from sale of investments	325,000	845,000	-	1,170,000
Net cash provided by investing activities	362,298	861,287	-	1,223,585
Net increase (decrease) in cash and cash equivalents	2,526,042	1,009,817	(22,268)	3,513,591
Cash and restricted cash and cash equivalents, beginning of year	(1,031,151)	484,141	61,589	(485,421)
Cash and restricted cash and cash equivalents, end of year	\$ 1,494,891	1,493,958	39,321	3,028,170
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (1,772,462)	60,199	(214,999)	(1,927,262)
Noncash items				
Disposition of capital asset	721,120	(31,085)	(30,205)	659,830
Adjustments to operating income				
Depreciation expense	1,633,071	259,713	52,342	1,945,126
Accounts receivable	(1,196,454)	104,917	(3,612)	(1,095,149)
Due from other funds	1,188,650	(187,258)	-	1,001,392
Inventory	(7,398)	-	-	(7,398)
Accounts payable	1,499,705	112,874	(112)	1,612,467
Meter deposit	5,610	-	-	5,610
Payroll liabilities	7,645	3,960	4,331	15,936
Compensated absences	(1,946)	(2,328)	1,296	(2,978)
Post closure landfill liability	-	19,739	-	19,739
Net cash provided by operating activities	\$ 2,077,541	340,731	(190,959)	2,227,313
Schedule of Noncash Capital and Related Financing Activities				
Capital assets acquired by capital lease	\$ 58,299	-	-	

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2009**

ASSETS

Cash and cash equivalents	\$	<u>1,667,411</u>
Total assets	\$	<u><u>1,667,411</u></u>

LIABILITIES

Due to others	\$	<u>1,667,411</u>
Total liabilities	\$	<u><u>1,667,411</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 1. 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.

NOTE 2. 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.

A. 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.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

A. 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.

B. 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.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. 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.

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.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Basis of Presentation – Fund Accounting (Continued)

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).

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: Section 8 Housing, Local DWI, 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 and 2003B 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.

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, Central Dispatch, FSS Escrow, COPS for Kids, Bail Bond Fund and Municipal Court Bond.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. 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.

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 receivable 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, 2009 was \$245,052.

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

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. 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 2009 budget year, the County Assessor sent to the Village an assessed valuation of all taxable property with 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 computer 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: 2) 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 FY2009.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2008 were collected in 2009, and taxes certified in 2009 will be collected in 2010. 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.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

The Village's expenditures exceeded budgeted amounts for the Emergency Medical Service Fund in the amount of \$4,063.

F. Cash, Restricted 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. Restricted cash consists of water meter deposits.

G. Investments

Investments are stated at fair value.

H. Receivables

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

I. 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.

J. 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.

K. Prepaid Expenses

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

L. Inventory

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

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

M. 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.

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
Infrastructure	40

N. 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.

O. 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.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

P. 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.

Q. Net Assets

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Village or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

R. 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.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 3. DEPOSITS AND INVESTMENTS

A. Cash and Investments

As of June 30, 2009, the Village had the following investments:

	<u>Fair Value</u>	<u>Weighted Maturity Average (Months)</u>
Certificates of deposit	\$ 1,444,382	2.58

B. 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.

C. 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.

D. Concentration of Credit Risk

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

E. 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.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

A reconciliation of cash and investments for the Village is on pages 77 and 78.

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, 2009.

NOTE 4. RECEIVABLES

Receivables as of June 30, 2009 consisted of the following. All receivables as of June 30, 2009 were deemed to be fully collectible.

	General	Infrastructure Fund	Other Governmental Funds	Enterprise	Total
Receivables:					
Trade accounts	\$ -	-	-	2,682,066	2,682,066
Taxes	1,687,905	-	-	-	1,687,905
Intergovernmental	-	-	12,839	-	12,839
Other	6,574	-	40,355	-	45,929
Total receivables	<u>\$ 1,694,479</u>	<u>-</u>	<u>53,194</u>	<u>2,682,066</u>	<u>4,429,739</u>

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance June 30, 2008	Additions	Transfers/ Deletions	Balance June 30, 2009
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,719,306	1,031,871	-	6,751,177
Construction in progress	9,098,948	156,845	(8,863,237)	392,555
	<u>14,818,254</u>	<u>1,188,716</u>	<u>(8,863,237)</u>	<u>7,143,732</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Buildings and improvements	9,712,331	5,210,098	(8,913)	14,913,516
Vehicles	3,610,624	279,064	(292,296)	3,597,392
Machinery and equipment	3,938,051	175,223	(603,315)	3,509,959
Capital leases	507,032	154,290	(16,404)	644,918
Infrastructure	48,544,982	5,462,894	-	54,007,876
	<u>66,313,020</u>	<u>11,281,569</u>	<u>(920,928)</u>	<u>76,673,661</u>
Total capital assets being depreciated				
Total capital assets	<u>81,131,274</u>	<u>12,470,285</u>	<u>(9,784,165)</u>	<u>83,817,393</u>
Less accumulated depreciation for				
Buildings and improvements	(3,838,305)	(835,755)	8,913	(4,665,147)
Vehicles	(3,208,072)	(224,831)	292,296	(3,140,607)
Machinery and equipment	(2,019,503)	(257,013)	519,013	(1,757,503)
Capital leases	(625,112)	(28,552)	16,404	(637,260)
Infrastructure	(23,293,617)	(2,567,851)	-	(25,861,468)
	<u>(32,984,609)</u>	<u>(3,914,002)</u>	<u>836,626</u>	<u>(36,061,985)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>33,328,411</u>	<u>7,367,567</u>	<u>(84,302)</u>	<u>40,611,676</u>
Governmental activities				
Capital assets, net	<u>\$ 48,146,665</u>	<u>8,556,283</u>	<u>(8,947,539)</u>	<u>47,755,408</u>

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance June 30, 2008	Additions	Transfers/ Deletions	Balance June 30, 2009
Capital assets not being depreciated				
Land and improvements	\$ 1,087,074	-	-	1,087,074
Construction in progress	12,725,352	12,381,026	(9,453,404)	15,652,974
Water rights	3,068,686	345,139	-	<u>3,413,825</u>
Total capital assets not being depreciated	16,881,112	12,726,165	(9,453,404)	20,153,873
Capital assets being depreciated				
Buildings and improvements	979,211	-	-	979,211
Vehicles	4,707,334	70,372	(1,193,966)	3,603,740
Machinery and equipment	1,091,113	-	(82,031)	1,009,082
Water/sewer plant	37,594,104	15,782,494	(2,113,576)	<u>51,263,022</u>
Total capital assets being depreciated	<u>44,371,762</u>	<u>28,579,031</u>	<u>(12,822,977)</u>	<u>56,855,055</u>
Total capital assets	61,252,874	28,579,031	(12,822,977)	77,008,928
Less accumulated depreciation for				
Buildings and improvements	(268,815)	(29,673)	-	(298,488)
Vehicles	(3,487,222)	(288,474)	516,619	(3,259,077)
Machinery and equipment	(671,081)	(194,838)	79,549	(786,370)
Water/sewer plant	(14,199,449)	(1,432,141)	-	<u>(15,631,590)</u>
Total accumulated depreciation	(18,626,567)	(1,945,126)	596,168	(19,975,525)
Total capital assets being depreciated, net	<u>25,745,195</u>	<u>13,907,740</u>	<u>(2,773,405)</u>	<u>36,879,530</u>
Business-type activities				
Capital assets, net	<u>\$ 42,626,307</u>	<u>26,633,905</u>	<u>(12,226,809)</u>	<u>57,033,403</u>

The Village has no internally generated software.

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

Governmental activities	
General government	\$ 654,493
Public safety	238,757
Highways and streets	2,618,534
Culture and recreation	381,105
Health and welfare	21,113
	<u>\$ 3,914,002</u>

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-type activities	
Water/sewer	\$ 1,633,071
Solid waste	259,713
Transportation	<u>52,342</u>
Total depreciation expense	<u>\$1,945,126</u>

NOTE 6. 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
2010	\$ 39,000	22,990
2011	41,000	21,137
2012	43,000	19,190
2013	45,000	17,148
2014	47,000	15,010
2015 – 2019	<u>269,000</u>	<u>36,622</u>
Total	<u>\$ 484,000</u>	<u>132,097</u>

Gross Receipts Tax Revenue Bonds - Government

	Principal	Interest
2010	\$ 575,000	269,830
2011	640,000	202,074
2012	725,000	213,125
2013	650,000	182,700
2014	675,000	150,250
2015 – 2019	<u>3,750,000</u>	<u>318,000</u>
Total	<u>\$ 7,015,000</u>	<u>1,335,979</u>

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 6. LONG-TERM DEBT (CONTINUED)

Government Notes Payable

	Principal	Interest
2010	\$ 205,704	86,298
2011	237,546	84,283
2012	245,817	77,290
2013	252,107	71,063
2014	232,773	64,543
2015 – 2019	1,005,081	232,074
2020 – 2024	848,207	106,637
2025 – 2027	<u>210,957</u>	<u>22,175</u>
Total	<u>\$ 3,238,192</u>	<u>744,363</u>

Enterprise Notes Payable

	Principal	Interest
2010	\$ 621,155	289,196
2011	1,513,489	745,215
2012	1,551,353	718,084
2013	1,590,213	679,975
2014	1,608,657	640,861
2015 – 2019	8,337,558	2,590,481
2020 – 2024	6,330,813	1,591,450
2025 – 2030	<u>1,044,128</u>	<u>31,324</u>
Total	<u>\$22,597,366</u>	<u>7,286,586</u>

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 6. LONG-TERM DEBT (CONTINUED)

The changes to long-term debt are as follows:

	Interest Rate	Balance June 30, 2008	Increase	(Decrease)	Balance June 30, 2009	Amounts Due Within One Year
Business-type activities:						
Water and sewer fund						
Wastewater facility construction loan	2.00%	\$ 2,978,334	-	(272,001)	2,706,333	277,441
Valencia waterline loan (89-17)	3.00%	98,165	-	(18,489)	79,676	19,045
NM water supply Construction loan	3.00%	23,115	-	(23,115)	-	-
Drinking water state revolving loan	2.29%	2,717,838	-	(179,247)	2,538,591	184,164
Clean water state revolving loan	2.00%	2,949,550	-	(137,751)	2,811,799	140,505
Clean water state revolving loan 2008	3.00%	1,263,033	13,197,934	-	14,460,967	-
Joint water & sewer system revenue bond	4.75%	521,000	-	(37,000)	484,000	39,000
Equipment lease	Various	831,018	58,299	(185,565)	703,752	199,576
Compensated absences		62,399	37,057	(56,520)	42,936	38,642
Total water and sewer fund		11,444,452	13,293,290	(909,688)	23,828,054	898,373
Solid Waste Fund						
Equipment lease	Various	513,227	-	(150,480)	362,747	145,150
Compensated absences		26,025	26,596	(28,923)	23,698	21,328
Total solid waste fund		539,252	26,596	(179,403)	386,445	166,478
Transportation Fund						
Compensated absences		12,655	18,338	(17,042)	13,951	12,556
Total business-type activities		11,996,359	13,338,224	(1,106,133)	24,228,450	1,077,407
Governmental Activities						
2003-A gross receipts tax	4.33%	5,175,000	-	-	5,175,000	-
2003-B gross receipts tax	4.00%	2,390,000	-	(550,000)	1,840,000	575,000
PPRF disadvantaged program loan	3.20%	118,090	-	(22,402)	95,688	22,883
NMED loan	2.00%	2,994,097	-	(131,087)	2,863,010	133,709
NMFA loan	2.00%	-	279,494	-	279,494	49,112
Equipment lease	Various	70,882	140,619	(51,045)	160,456	48,263
Compensated absences		425,164	333,789	(427,405)	331,548	298,393
Total governmental activities		11,173,233	753,902	(1,181,939)	10,745,196	1,127,360
Grand total long-term debt		\$ 23,169,592	14,092,126	(2,288,072)	34,973,646	2,204,767

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 6. LONG-TERM DEBT (CONTINUED)

The General Fund is typically used to liquidate other long-term debt such as compensated absences.

Future minimum lease payments:

Capital Leases Year Ended June 30,	Governmental Activities	Enterprise Fund
2010	\$ 55,432	384,655
2011	35,424	320,196
2012	35,424	284,978
2013	35,424	146,722
2014	<u>17,199</u>	<u>10,748</u>
Total lease payments	178,903	1,147,299
Less interest	<u>(18,447)</u>	<u>(80,800)</u>
Total	<u>\$ 160,456</u>	<u>1,066,499</u>

NOTE 7. OPERATING TRANSFERS

General Fund transfers to other funds were for debt service payments and for the operations of the enterprise funds. Infrastructure transfers and other governmental funds transfers were for the Employee Benefit Fund and Debt Service Fund annual liability. The transfer to the Water Sewer Fund from the Bond Acquisition Fund was used for the expansion of the WWTP Facility.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 7. OPERATING TRANSFERS (CONTINUED)

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$ 211,665	581,810
Infrastructure Fund	-	637,265
LDWI Grant Fund	55,808	1,625
Housing	-	3,099
Debt Service Funds:		
Bond Acquisition	-	5,000,000
2003 A GRT Revenue Bond	201,640	-
2003 B GRT Revenue Bond	637,265	-
Enterprise Funds:		
Water Sewer	5,000,000	15,622
Solid Waste	-	13,939
Transportation	177,059	8,368
Agency Fund		
Central Dispatch	-	21,709
TOTAL	\$ 6,283,437	6,283,437

NOTE 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 included 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.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 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 \$879,699 reported in the Solid Waste Fund as a landfill closure and post-closure care. However, due to changes in technology, laws or regulations, these costs may change in the future.

NOTE 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, PO Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. The contributions 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 employees' gross salary instead of 9.15% 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, 2009, 2008 and 2007 was \$737,988, \$694,778 and \$578,802, 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.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN

Plan Description. The Village of Los Lunas Retiree Medical Insurance Plan (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 2009, the Village contributed \$211,665 to the Plan. Plan members receiving benefits contributed \$40,092 through their required contribution of 0.65% per pay period.

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 No. 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:

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>251,757</u>
Increase in net OPEB obligation	343,802
Net OPEB obligation, beginning of year	<u>534,559</u>
Net OPEB obligation, end of year	<u><u>\$ 878,361</u></u>

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/07	N/A	N/A	N/A
6/30/08	\$ 595,559	10.2%	\$ 534,559
6/30/09	595,559	42.3%	878,361

Funded Status and Funding Progress. As of July 1, 2008, the unfunded actuarial accrued liability (UAAL) was \$4,001,788.

Actuarial valuation of an ongoing plan involves 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.

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% initially, reduced by decrements to an ultimate rate of 5% after 10 years, was used. Both rates included a 4.5% 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% discount rate and a 20% salary growth.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 12. LITIGATION

At the end of the fiscal year at June 30, 2009, the Village of Los Lunas was involved in an arbitration agreement entered into with American Arbitration Association as the administrator and Longhorn Construction Services, Inc. as the claimant. The Village of Los Lunas retained Molzen-Corbin and Associates to design the Los Lunas Intermodal Transportation Center. Following a procurement process, the project was awarded to Longhorn Construction Services, Inc. The Village entered into a Construction Agreement dated January 23, 2007. There were substantial delays with the project, and the project was not completed on time. Longhorn seeks damages for the balance on their contract, delay damages, and additional allowable costs due to change orders. The Village seeks liquidated damages and damages for alleged non-conforming construction work. The arbitration hearing will be held at a future date and the Arbitrator (American Arbitration Association) will make a decision regarding the claims. The arbitration liability and monetary damages may be \$262,000, which is the balance of the contract, change orders, and arbitration fees. The Village is expected to pay arbitration fees.

NOTE 13. CONDUIT DEBT OBLIGATIONS

The Village 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 payment 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
Year Ended June 30, 2009

NOTE 14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

	<u>Condensed Statement of Net Assets</u>		
	Water and Sewer	Solid Waste	FTA Section 5311
Current assets	\$ 4,189,536	2,160,125	66,099
Property and equipment, net of accumulated depreciation	<u>55,961,938</u>	<u>986,880</u>	<u>84,585</u>
Total assets	<u>\$ 60,151,474</u>	<u>3,147,005</u>	<u>150,684</u>
Current liabilities	\$ 2,812,421	679,405	32,177
Non-current liabilities	<u>22,929,681</u>	<u>1,099,666</u>	<u>1,395</u>
Total liabilities	<u>25,742,102</u>	<u>1,779,071</u>	<u>33,572</u>
Net assets			
Invested in capital assets, net of related debt	33,036,551	769,283	84,585
Unrestricted	<u>1,372,821</u>	<u>598,651</u>	<u>32,527</u>
Total net assets	<u>34,409,372</u>	<u>1,367,934</u>	<u>117,112</u>
Total liabilities and net assets	<u>\$ 60,151,474</u>	<u>3,147,005</u>	<u>150,684</u>

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

	<u>Condensed Statement of Activities</u>		
	Water and Sewer	Solid Waste	FTA Section 5311
Operating revenue			
Water and sewer sales	\$ 6,871,484	-	-
Solid waste fees	-	1,719,470	-
Other	76,264	329,159	382,764
	<hr/>	<hr/>	<hr/>
Total operating revenue	6,947,748	2,048,629	382,764
Operating expenses	779,990	708,267	491,278
Miscellaneous expenses	6,307,149	1,020,450	54,143
Depreciation	1,633,071	259,713	52,342
	<hr/>	<hr/>	<hr/>
Total operating expenses	8,720,210	1,988,430	597,763
Operating income (loss)	<hr/> (1,772,462)	<hr/> 60,199	<hr/> (214,999)
Contributed capital	-	-	-
Non-operating income (loss)	(240,934)	(3,280)	-
Transfers out/in	4,984,378	(13,939)	168,691
	<hr/>	<hr/>	<hr/>
Total non-operating income	4,743,444	(17,219)	168,691
Changes in net assets	<hr/> 2,970,982	<hr/> 42,980	<hr/> (46,308)
Net assets, beginning	<hr/> 31,438,390	<hr/> 1,324,954	<hr/> 163,420
Net assets, ending	<hr/> <u>\$ 34,409,372</u>	<hr/> <u>1,367,934</u>	<hr/> <u>117,112</u>

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2009

NOTE 14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS (CONTINUED)

	<u>Condensed Statement of Cash Flows</u>		
	Water and Sewer	Solid Waste	FTA Section 5311
Net cash provided (used) by operating activities	\$ 2,077,541	340,731	(190,959)
Net cash provided (used) by non-capital financing activities	4,984,379	(13,939)	168,691
Net cash provided (used) by capital financing activities	(4,898,176)	(178,262)	-
Net cash provided (used) by investing activities	<u>362,298</u>	<u>861,287</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	2,526,042	1,009,817	(22,268)
Cash and cash equivalents, beginning of year	<u>(1,031,151)</u>	<u>484,141</u>	<u>61,589</u>
Cash and cash equivalents, end of year	<u>\$ 1,494,891</u>	<u>1,493,958</u>	<u>39,321</u>

NOTE 15. SUBSEQUENT EVENTS

On March 23, 2011, the Village entered into a Memorandum of Agreement with Socorro County Housing Authority (SCHA) to transfer all assets and operations of the Village's Housing Authority. The transfer was effective July 1, 2011 and documented recognition and approval of SCHA to operating within its boundaries for the purpose of providing affordable housing programs.

Effective July 1, 2010, employees of the Village Public Transportation Department were absorbed by Mid-Region Council of Governments (MRCOG). This is part of the transfer of management and operation of the Village's transit services to Rio Metro. The agreement includes transfer of vehicles, equipment, software and material used in the transit operations effective October 1, 2010.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING BALANCE SHEET -
OTHER GOVERNMENTAL FUNDS
June 30, 2009

	Lodger's Tax	Section 8 Housing	Fire Fund	Recreation Fund
ASSETS				
Cash and cash equivalents	\$ 85,871	246,505	-	184,606
Investments	-	-	-	-
Taxes receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Receivable from other governments	-	-	-	-
Other receivables	11,999	-	-	244
Total assets	\$ 97,870	246,505	-	184,850
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 639	1,277	2,818	221
Due to other funds	-	-	-	-
Other accrued expenses	-	6,374	-	-
Total liabilities	639	7,651	2,818	221
FUND BALANCES				
Reserved for				
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unreserved	97,231	238,854	(2,818)	184,629
Total fund balances	97,231	238,854	(2,818)	184,629
Total liabilities and fund balances	\$ 97,870	246,505	-	184,850

	Local Government Correction	Law Enforcement Protection	Emergency Medical Services	Local DWI	Total Special Revenue
\$	162,366	-	-	27,792	707,140
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	12,839	12,839
	-	-	-	-	12,243
<hr/>					
\$	162,366	-	-	40,631	732,222
<hr/>					
\$	5,069	8,106	-	1,755	19,885
	-	-	-	-	-
	-	-	-	9,528	15,902
<hr/>					
	5,069	8,106	-	11,283	35,787
<hr/>					
	-	-	-	-	-
	-	-	-	-	-
	157,297	(8,106)	-	29,348	696,435
<hr/>					
	157,297	(8,106)	-	29,348	696,435
<hr/>					
\$	162,366	-	-	40,631	732,222
<hr/>					

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING BALANCE SHEET -
OTHER GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2009

	Municipal Street Improvement	Total Capital Projects	2003A Gross Receipts Tax Revenue Bond	2003B Gross Receipts Tax Revenue Bond	Total Debt Service	Total Other Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 233,735	233,735	67,359	214,259	281,618	1,222,493
Investments	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	12,839
Other receivables	28,112	28,112	-	-	-	40,355
Total assets	\$ 261,847	261,847	67,359	214,259	281,618	1,275,687
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ -	-	-	-	-	19,885
Due to other funds	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	15,902
Total liabilities	-	-	-	-	-	35,787
FUND BALANCES						
Reserved for						
Debt service	-	-	67,359	214,259	281,618	281,618
Other purposes	-	-	-	-	-	-
Capital projects	261,847	261,847	-	-	-	261,847
Unreserved	-	-	-	-	-	696,435
Total fund balances	261,847	261,847	67,359	214,259	281,618	1,239,900
Total liabilities and fund balances	\$ 261,847	261,847	67,359	214,259	281,618	1,275,687

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Lodger's Tax	Section 8 Housing	Fire Fund	Recreation Fund
Revenues				
Sales and miscellaneous taxes	\$ 65,752	-	-	6,463
Intergovernmental	-	1,134,646	86,381	-
Charges for services	-	18,022	-	99,711
Investment earnings	853	-	-	852
Miscellaneous	-	-	-	-
Total revenues	<u>66,605</u>	<u>1,152,668</u>	<u>86,381</u>	<u>107,026</u>
Expenditures				
Current				
General government	72,434	-	-	-
Public safety	-	-	31,207	-
Public works	-	-	-	-
Health and welfare	-	1,177,596	-	-
Culture and recreation	-	1,337	-	60,205
Debt Service				
Principal	-	-	25,680	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	29,494	549
Total expenditures	<u>72,434</u>	<u>1,178,933</u>	<u>86,381</u>	<u>60,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,829)</u>	<u>(26,265)</u>	<u>-</u>	<u>46,272</u>
Other Financing Sources (Uses)				
Reversions to State General Fund	-	-	-	-
Proceeds from long-term debt, net	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(3,099)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(3,099)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(5,829)</u>	<u>(29,364)</u>	<u>-</u>	<u>46,272</u>
Fund balances, beginning of year	<u>103,060</u>	<u>268,218</u>	<u>(2,818)</u>	<u>138,357</u>
Fund balances, end of year	<u>\$ 97,231</u>	<u>238,854</u>	<u>(2,818)</u>	<u>184,629</u>

Local Government Correction	Law Enforcement Protection	Emergency Medical Service	Local DWI	Total Special Revenue
-	-	-	-	72,215
-	36,800	40,075	414,784	1,712,686
81,480	-	-	-	199,213
796	-	-	-	2,501
-	-	-	-	-
<u>82,276</u>	<u>36,800</u>	<u>40,075</u>	<u>414,784</u>	<u>1,986,615</u>
77,281	-	-	-	149,715
-	-	40,075	448,053	519,335
-	-	-	-	-
-	-	-	-	1,177,596
-	-	-	-	61,542
-	-	-	-	-
-	17,457	-	-	43,137
-	611	-	-	611
-	18,732	-	-	48,775
<u>77,281</u>	<u>36,800</u>	<u>40,075</u>	<u>448,053</u>	<u>2,000,711</u>
<u>4,995</u>	<u>-</u>	<u>-</u>	<u>(33,269)</u>	<u>(14,096)</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	55,808	55,808
-	-	-	(1,625)	(4,724)
<u>-</u>	<u>-</u>	<u>-</u>	<u>54,183</u>	<u>51,084</u>
4,995	-	-	20,914	36,988
152,302	(8,106)	-	8,434	659,447
<u>157,297</u>	<u>(8,106)</u>	<u>-</u>	<u>29,348</u>	<u>696,435</u>

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS (CONTINUED)
Year Ended June 30, 2009

	Municipal Street Improvement	Total Capital Projects	2003A Gross Receipts Tax Revenue Bond	2003B Gross Receipts Tax Revenue Bond
Revenues				
Sales and miscellaneous taxes	\$ 117,953	117,953	\$ -	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	4,197	4,197	275	881
Miscellaneous	-	-	-	-
Total revenues	122,150	122,150	275	881
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	238,757	238,757	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Debt Service				
Principal	161,397	161,397	-	550,000
Interest and other charges	50,253	50,253	202,075	42,366
Capital outlay	-	-	-	-
Total expenditures	450,407	450,407	202,075	592,366
Excess (deficiency) of revenues over (under) expenditures	(328,257)	(328,257)	(201,800)	(591,485)
Other Financing Sources (Uses)				
Reversions to State General Fund	-	-	-	-
Proceeds from long-term debt, net	140,619	140,619	-	-
Transfers in	-	-	201,640	637,265
Transfers out	-	-	-	-
Total other financing sources (uses)	140,619	140,619	201,640	637,265
Net change in fund balances	(187,638)	(187,638)	(160)	45,780
Fund balances, beginning of year	449,485	449,485	67,519	168,479
Fund balances, end of year	\$ 261,847	261,847	\$ 67,359	214,259

Total Debt Service	Total Other Governmental Funds
-	190,168
-	1,712,686
-	199,213
1,156	7,854
-	-
<u>1,156</u>	<u>2,109,921</u>
-	149,715
-	519,335
-	238,757
-	1,177,596
-	61,542
550,000	754,534
244,441	295,305
-	48,775
<u>794,441</u>	<u>3,245,559</u>
<u>(793,285)</u>	<u>(1,135,638)</u>
-	-
-	140,619
838,905	894,713
-	(4,724)
<u>838,905</u>	<u>1,030,608</u>
45,620	(105,030)
235,998	1,344,930
<u>281,618</u>	<u>1,239,900</u>

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, 2009

	Water/Sewer			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Water sales and service	\$ 3,634,496	3,634,496	2,737,828	(896,668)
Sewer sales and service	2,565,352	2,565,352	1,562,063	(1,003,289)
Taxes	234,872	234,872	231,223	(3,649)
Interest	167,289	167,289	38,198	(129,091)
Miscellaneous	19,375,000	19,375,000	1,521,188	(17,853,812)
Total revenues	25,977,009	25,977,009	6,090,500	(19,886,509)
Expenditures				
Water/sewer - treatment plant	13,543,702	14,043,702	1,184,342	12,859,360
Water/sewer - utility expense	17,574,517	17,574,517	4,297,762	13,276,755
Total expenditures	31,118,219	31,618,219	5,482,104	26,136,115
Other Financing Sources				
Operating transfers in (out)	4,984,378	4,984,378	4,984,378	-
Revenues and other financing sources over (under) expenditures and other financing uses	(156,832)	(656,832)	5,592,774	6,249,606
Budgeted beginning cash	156,832			
	<u>\$ -</u>			
Unbudgeted revenues and expenses				
Changes in accounts receivable			894,546	
Changes in accounts payable			(4,228)	
Changes in accrued liabilities			(3,512,110)	
GAAP change in net assets			<u>\$ 2,970,982</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, 2009

	Solid Waste			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Solid waste sales	\$ 1,437,565	1,437,565	1,578,012	140,447
Taxes	409,226	409,226	308,579	(100,647)
Interest	71,747	71,747	16,287	(55,460)
Total revenues	<u>1,918,538</u>	<u>1,918,538</u>	<u>1,902,878</u>	<u>(15,660)</u>
Expenditures				
Solid waste expense	<u>2,085,812</u>	<u>2,085,812</u>	<u>2,019,250</u>	<u>66,562</u>
Total expenditures	<u>2,085,812</u>	<u>2,085,812</u>	<u>2,019,250</u>	<u>66,562</u>
Other Financing Sources				
Operating transfers in (out)	<u>(13,939)</u>	<u>(13,939)</u>	<u>(13,939)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(181,213)</u>	<u>(181,213)</u>	<u>(130,311)</u>	<u>50,902</u>
Budgeted beginning cash	<u>181,213</u>			
	<u>\$ -</u>			
Unbudgeted revenues and expenses				
Changes in accounts receivable			162,038	
Changes in accounts payable			(27,660)	
Changes in accrued liabilities			<u>38,913</u>	
GAAP change in net assets			<u>\$ 42,980</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, 2009

	Transportation 5311 Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ 450,509	467,190	342,913	(124,277)
Miscellaneous	157,868	203,506	36,239	(167,267)
Total revenues	608,377	670,696	379,152	(291,544)
Expenditures				
General government	692,507	732,007	590,357	141,650
Total expenditures	692,507	732,007	590,357	141,650
Other Financing Sources				
Operating transfers out	(8,638)	(8,638)	(8,368)	270
Operating transfers in	150,000	14,822	177,059	162,237
Total other financing sources	141,362	6,184	168,691	162,507
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 57,232</u>	<u>(55,127)</u>	<u>(42,514)</u>	<u>12,613</u>
Changes in accounts receivable			3,612	
Changes in accounts payable			(4,902)	
Changes in accrued liabilities			<u>(2,504)</u>	
GAAP change in net assets			<u>\$ (46,308)</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
LODGER'S TAX
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 90,750	90,750	43,925	(46,825)
Interest	8,021	8,021	1,013	(7,008)
Total revenues	98,771	98,771	44,938	(53,833)
Expenditures				
General government	100,000	100,000	72,434	27,566
Total expenditures	100,000	100,000	72,434	27,566
Revenues and other financing sources over (under) expenditures and other financing uses	(1,229)	<u>(1,229)</u>	(27,496)	<u>(26,267)</u>
Budgeted beginning cash	<u>1,229</u>			
	<u>\$ -</u>			
Changes in accounts receivable			<u>21,667</u>	
GAAP change in fund balance			<u>\$ (5,829)</u>	

VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
SECTION 8 HOUSING
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ 1,111,288	1,130,336	1,146,217	15,881
Interest	10,000	10,000	-	(10,000)
Total revenues	<u>1,121,288</u>	<u>1,140,336</u>	<u>1,146,217</u>	<u>5,881</u>
Expenditures				
Health and welfare	1,209,795	1,228,843	1,180,314	48,529
Total expenditures	<u>1,209,795</u>	<u>1,228,843</u>	<u>1,180,314</u>	<u>48,529</u>
Other Financing Uses				
Operating transfers out	(3,099)	(3,099)	(3,099)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(91,606)	<u>(91,606)</u>	(37,196)	<u>54,410</u>
Budgeted beginning cash	<u>91,606</u>			
	<u>\$ -</u>			
Changes in accounts payable			6,451	
Changes in accrued liabilities			<u>1,381</u>	
GAAP change in fund balance			<u>\$ (29,364)</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
FIRE FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 88,398	86,381	86,381	-
Interest	300	-	-	-
Total revenues	\$ 88,698	86,381	86,381	-
Expenditures				
Public safety	\$ 88,698	86,381	86,381	-
Total expenditures	\$ 88,698	86,381	86,381	-

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
RECREATION FUND
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 11,375	11,375	7,730	(3,645)
Interest	8,422	8,422	1,013	(7,409)
Charges for services	73,440	73,440	99,711	26,271
Total revenues	<u>93,237</u>	<u>93,237</u>	108,454	15,217
Expenditures				
Culture and recreation	73,200	73,200	61,269	11,931
Total expenditures	<u>73,200</u>	<u>73,200</u>	61,269	11,931
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 20,037</u>	<u>20,037</u>	47,185	<u>27,148</u>
Changes in accounts receivable			(1,428)	
Changes in accounts payable			515	
GAAP change in fund balance			<u>\$ 46,272</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
LOCAL GOVERNMENT CORRECTION
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 83,044	83,044	81,480	(1,564)
Interest	6,317	6,317	796	(5,521)
Total revenues	89,361	89,361	82,276	(7,085)
Expenditures				
General government	85,000	85,000	77,675	7,325
Total expenditures	85,000	85,000	77,675	7,325
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 4,361	4,361	4,601	(14,410)
Changes in accrued liabilities			394	
GAAP change in fund balance			\$ 4,995	

STATE OF NEW MEXICO
 VILLAGE OF LOS LUNAS
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
 LAW ENFORCEMENT PROTECTION
 Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ 36,800	36,800	36,800	-
Interest	300	-	-	-
Total revenues	\$ 37,100	36,800	36,800	-
Expenditures				
Public safety	\$ 37,100	36,800	36,800	-
Total expenditures	\$ 37,100	36,800	36,800	-

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
EMERGENCY MEDICAL SERVICE
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 27,186	35,880	40,075	4,195
Interest	-	-	-	-
Total revenues	27,186	35,880	40,075	4,195
Expenditures				
Public safety	27,186	35,880	39,943	(4,063)
Total expenditures	27,186	35,880	39,943	(4,063)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	-	132	132
Changes in accrued liabilities			(132)	
GAAP change in fund balance			\$ -	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
LOCAL DWI GRANT
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 423,776	423,776	469,821	46,045
Interest	-	-	-	-
Total revenues	423,776	423,776	469,821	46,045
Expenditures				
Public safety	422,583	466,498	448,654	17,844
Total expenditures	422,583	466,498	448,654	17,844
Other Financing Sources				
Operating transfers in (out)	54,183	54,183	-	(54,183)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 55,376</u>	<u>11,461</u>	21,167	<u>9,706</u>
Changes in accounts receivable			771	
Changes in accounts payable			635	
Changes in accrued liabilities			(1,659)	
GAAP change in fund balance			<u>\$ 20,914</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
MUNICIPAL STREET IMPROVEMENT
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 342,102	342,102	269,306	(72,796)
Admin revenue	-	-	-	-
Interest	26,214	26,214	4,507	(21,707)
Total revenues	368,316	368,316	273,813	(94,503)
Expenditures				
Highways and streets	474,969	474,969	450,406	24,563
Total expenditures	474,969	474,969	450,406	24,563
Revenues and other financing sources over (under) expenditures and other financing uses	(106,653)	<u>(106,653)</u>	(176,593)	<u>(69,940)</u>
Budgeted beginning cash	<u>106,653</u>			
	<u>\$ -</u>			
Changes in accounts receivable			<u>(11,045)</u>	
GAAP change in fund balance			<u>\$ (187,638)</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
2003A GROSS RECEIPTS TAX REVENUE BOND DEBT SERVICE
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest revenue	\$ 2,500	2,500	312	(2,188)
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>312</u>	<u>(2,188)</u>
Expenditures				
Debt service	202,074	202,075	202,075	-
Total expenditures	<u>202,074</u>	<u>202,075</u>	<u>202,075</u>	<u>-</u>
Other Financing Sources				
Operating transfers in	202,075	202,075	201,640	435
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 2,501</u>	<u>2,500</u>	(123)	<u>(1,753)</u>
Changes in interest receivable			<u>(37)</u>	
GAAP change in fund balance			<u>\$ (160)</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
2003B GROSS RECEIPTS TAX REVENUE BOND DEBT SERVICE
Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest revenue	\$ 12,000	12,000	1,000	(11,000)
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>1,000</u>	<u>(11,000)</u>
Expenditures				
Debt service	637,006	637,006	637,005	1
Total expenditures	<u>637,006</u>	<u>637,006</u>	<u>637,005</u>	<u>1</u>
Other Financing Sources				
Operating transfers in	637,006	637,006	637,265	259
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 12,000</u>	<u>12,000</u>	1,260	<u>(10,740)</u>
Changes in accrued liabilities			<u>44,520</u>	
GAAP change in fund balance			<u>\$ 45,780</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2009

	Wells Fargo	First Community Bank	SECU	My Bank
Deposits in Bank or Savings and Loan				
Money market	\$ 1,023,878	4,295,966	1,400	-
Bank deposits	277,595	-	-	-
Repurchase deposits	6,876,164	805,562	-	-
Certificates of deposit	-	-	100,000	100,000
	<u>8,177,637</u>	<u>5,101,528</u>	<u>101,400</u>	<u>100,000</u>
Less FDIC or FSLIC coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	<u>7,927,637</u>	<u>4,851,528</u>	<u>(148,600)</u>	<u>(150,000)</u>
Collateral requirement @ 50%	525,737	2,022,983	-	-
Collateral requirement @ 102%	<u>7,013,687</u>	<u>821,673</u>	-	-
Total required collateralization	<u>7,539,424</u>	<u>2,844,656</u>	-	-
Pledges and securities				
FNCL 867437, 6.0%, due 05/01/2036	920,721			
FNCL CUSIP 31413TT44, 6.00%, due 11/01/2037	905,582			
FNCL CUSIP 31408HZY4, 6.00%, due 02/01/2036	5,272,492			
MBS GNMA II 36202C5R0, 5.50%, due 10/20/2028		56,617		
MBS GNMA II 36225ELT7, 5.00%, due 08/20/2038		89,965		
MBS FHLMC B-10178 312962FT5 GOLD, 5.00%, due 10/01/2018		78,899		
FHR 2854 AK, 4.00%, due 9/15/2019		598,831		
Los Lunas NM Sch Dist 1 545562KY5, 3.65%, due 07/15/2014		100,000		
Alamogordo NM JT WTR 011500FU4, 4.00%, due 06/01/2015		175,000		
Los Lunas NM Sch Dist 1 545562MF4, 3.75%, due 07/15/2017		500,000		
Clovis NM Mun SD 1 189414FZ3, 3.80%, due 08/01/2017		75,000		
Clovis NM Mun SD 1 189414FZ3, 3.80%, due 08/01/2017		75,000		
MBS FHLMC GOLD 31283K6K9, 4.00%, due 08/01/2020		540,203		
Los Lunas NM Sch Dist 1 545562MU1, 3.85%, due 07/15/2018		400,000		
MBS FHLMC M30301 31282CKN6, 4.50%, due 10/1/2018		25,600		
Ruidoso NM Mun Sch Dist 3 781338GN2, 3.85%, due 08/01/2021		500,000		
FHR 2857 AH 31395FS70, 5.00%, due 12/15/2023		7,849		
FHR 2857 AH 31395FS70, 5.00%, due 12/15/2023		15,698		
MBS GNMA I 36295KKN2, 4.00%, due 05/15/2023		359,681		
Columbia Met Dist Colo-FSA 197805CN2, 4.30%, due 12/01/2015		100,000		
Cavanal Hill US Treasury FD#0002, 0.01%				
Cavanal Hill US Treasury FD#0002, 0.01%				
FNMA 31359MLS0, 5.375%, due 11/15/2011				
Santa Fe Cnty NM Pub 801889LV6, 4.1%, due 07/01/2023				
Total pledged securities	<u>7,098,795</u>	<u>3,698,343</u>	-	-
(Over) under pledged	<u>\$ 440,629</u>	<u>(853,687)</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)

Bank of Albuquerque	Bank of the West	NMEFCU	New Mexico Bank & Trust	X-press Bill Pay	Total
211,216	301,494	-	-	102,124	5,936,078
-	277,788	-	-	-	555,383
-	-	-	-	-	7,681,726
100,000	842,310	100,672	200,000	-	1,442,982
311,216	1,421,592	100,672	200,000	102,124	15,616,169
250,000	250,000	250,000	250,000	250,000	2,250,000
61,216	1,171,592	(149,328)	(50,000)	(147,876)	13,366,169
30,608	585,796	-	-	-	3,165,124
-	-	-	-	-	7,835,361
30,608	585,796	-	-	-	11,000,484

50,520
160,696
1,090,360

211,216	1,090,360	-	-	-	19,197,508
(180,608)	(504,564)	-	-	-	(1,098,230)

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
Year Ended June 30, 2009

	Wells Fargo	First Community Bank	SECU	My Bank
Deposits in Bank or Savings and Loan				
Money market	\$ 1,023,878	4,295,966	1,400	-
Bank deposits	277,595	-	-	-
Repurchase deposits	6,876,164	805,562	-	-
Certificates of deposit	-	-	100,000	100,000
Total bank balance	8,177,637	5,101,528	101,400	100,000
Reconciling Items				
Outstanding checks	(661,313)	-	-	-
Deposits in transit	22,833	69,902	-	-
Other adjustments	-	274	-	-
Total adjustments	(638,480)	70,176	-	-
Total book balance	7,539,157	5,171,704	101,400	100,000
Less agency fund balances included in bank balance	1,362,150	-	-	-
Total primary government	\$ 6,177,007	5,171,704	101,400	100,000

Bank of Albuquerque	Bank of the West	NMEFCU	New Mexico Bank & Trust	X-press Bill Pay	Total
211,216	301,494	-	-	102,124	5,936,078
-	277,788	-	-	-	555,383
-	-	-	-	-	7,681,726
100,000	842,310	100,672	200,000	-	1,442,982
311,216	1,421,592	100,672	200,000	102,124	15,616,169
-	-	-	-	-	(661,313)
70,403	93,530	-	-	-	256,668
-	-	-	-	-	274
70,403	93,530	-	-	-	(404,371)
381,619	1,515,122	100,672	200,000	102,124	15,211,798
-	-	-	-	-	1,362,150
381,619	1,515,122	100,672	200,000	102,124	13,849,648

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2009**

	Court Trust Fund	Central Solid Waste Authority	Central Dispatch
Assets, July 1, 2008	\$ 2,463	883,878	69,259
Increase	35,932	567,256	1,757,503
Decrease	35,309	418,945	1,233,971
Assets, June 30, 2009	\$ 3,086	1,032,189	592,791
Liabilities, July 1, 2008	\$ 2,463	883,878	69,259
Increase	35,932	567,256	1,757,503
Decrease	35,309	418,945	1,233,971
Liabilities, June 30, 2009	\$ 3,086	1,032,189	592,791

	FSS Escrow	COPS for Kids	Bail Bond Fund	Municipal Court Bond	Total
\$	13,009	8,484	-	26,772	1,003,865
	115	-	28,101	-	2,388,907
	-	5,727	28,101	3,308	1,725,361
	13,124	2,757	-	23,464	1,667,411
\$	13,009	8,484	-	26,772	1,003,865
	115	-	28,101	-	2,388,907
	-	5,727	28,101	3,308	1,725,361
	13,124	2,757	-	23,464	1,667,411

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2009

HUD Line Item #	Account Description	Section 8 Rental Voucher Program 14.871	Shelter Plus Care 14.238
ASSETS			
111	Section 8 Fund Cash	\$ 246,505	-
121	Accounts receivable - PHA projects	-	-
	Total assets	246,505	-
LIABILITIES AND FUND BALANCES			
Liabilities			
312	Accounts payable, less than 90 days	1,269	-
321	Accrued wage/payroll taxes payable	6,374	-
322	Accrued compensated absences	-	-
333	Due to general fund accounts payable - other government	-	-
	Total liabilities	7,643	-
Fund Balances			
512	Unreserved, undesignated	238,862	-
	Total fund equity	238,862	-
	Total liabilities and fund balances	\$ 246,505	-

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2009

HUD Line Item #	Account Description	Section 8 Rental Voucher Program 14.871	Shelter Plus Care 14.238
REVENUES			
706	HUD PHA operating grants	\$ 670,641	171,779
708	Other Government grants	-	-
711	Investment income - Unrestricted	-	-
714	Fraud recovery	-	-
715	Other revenue	303,793	-
	Total revenues	<u>974,434</u>	<u>171,779</u>
EXPENDITURES			
Current			
911	Administrative salaries	93,075	13,908
912	Auditing fees	6,000	-
915	Employee benefit contribution - administrative	40,448	-
916	Other operating - administrative	-	9,645
962	Other general expenses	459,658	-
973	Housing assistance payments	404,611	148,226
	Total expenditures	<u>1,003,792</u>	<u>171,779</u>
	Revenues under expenditures	(29,358)	-
	Fund balances, beginning of year	<u>268,220</u>	-
	Fund balances, end of year	<u><u>\$ 238,862</u></u>	<u>-</u>

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FUNDING PROGRESS
Year Ended June 30, 2009**

Actuarial Evaluation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Payroll
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
7/2/2007	-	4,001,788	4,001,788	0.00%	N/A	N/A
7/1/2008	251,757	4,001,788	3,750,031	6.29%	N/A	N/A

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (AS RESTATED)
Year Ended June 30, 2009**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Identification Number	Federal Expenditures
Direct Programs			
U.S. Department of Housing and Urban Development Section 8 Rental Voucher Program	14.871		\$ 687,100
U.S. Department of Housing and Urban Development Shelter Plus Care	14.238		171,779
			<hr/>
Total direct programs			858,879
Indirect Programs			
U.S Environmental Protection Agency Passed through New Mexico Finance Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468		1,577,749
U.S Environmental Protection Agency Passed through New Mexico Environment Department Capitalization Grants for Clean Water State Revolving Funds	66.458		11,117,162
U.S. Department of Transportation Passed through New Mexico Department of Finance Welfare to Work Grant	20.518	49 U.S.C 5309	103,950
Section 5311 Transportation Grant	20.509	49 U.S.C 5311	<u>222,515</u>
			<hr/>
Total indirect programs			13,021,376
			<hr/>
Total federal assistance			\$ 13,880,255
			<hr/> <hr/>

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS (AS RESTATED)
Year Ended June 30, 2009**

NOTE 1. GENERAL

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

NOTE 2. 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 2 of the financial statements.

NOTE 3. RESTATEMENT OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards has been restated to include previously unreported federal expenditures of \$12,694,911 from U.S. Environmental Protection Agency (CFDA 66.468 and 66.458). These grants in the form of loans were passed through from New Mexico Environmental Department and New Mexico Finance Authority, which were used in funding the Arsenic and Wastewater Treatment Plant Expansion Projects.

**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 H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the general fund and major special revenue fund budgetary comparison, and the aggregate remaining fund information of The State of New Mexico Village of Los Lunas (the Village) as of and for the year ended June 30, 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 10, 2011. 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 auditing 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

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 combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-01, 09-01, 09-06 and 09-07 to be significant deficiencies in internal control over financial reporting.

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 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-07 to be a material weakness.

Compliance and Other Matters

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

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

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 questioned costs as items 08-02, 08-08 and 09-05.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Village Council, management, the Village, the New Mexico State Auditor, and 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.

Mess Adams LLP

Albuquerque, New Mexico
October 10, 2011

**Independent Auditors' 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 H. Balderas
New Mexico State Auditor

We have audited the compliance of the Village of Los Lunas (Village) with the types of compliance requirements described in the US 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, 2009. The Village's major federal programs are identified in the summary of auditors' 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 Non-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, 2009. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-02, 09-03 and 09-04.

Village Council
Village of Los Lunas
and
Mr. Hector H. 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 Village's ability to administer a federal program such that there is more than a remote likelihood the noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies in internal control over compliance described in accompanying schedule of findings and questioned costs as items 09-02, 09-03, and 09-04 to be significant deficiencies.

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 Village's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Village Council, management, the Village, the State Auditor, the cognizant audit agency and other federal audit agencies and is not intended to be, and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
October 10, 2011

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009**

STATUS OF PRIOR YEAR AUDIT FINDINGS

08-01	Internal Control over Payroll Transactions	Repeated and Revised
08-02	Internal Control over Receipts	Repeated and Revised
08-03	Capital Assets	Cleared
08-04	Cash Transactions	Cleared
08-05	Accounting for Encumbrances	Cleared
08-06	Federal Grant Compliance	Cleared
08-07	Journal Entry Review	Cleared
08-08	Budget Expenditures	Repeated and Revised

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? X Yes None Reported

Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es) X Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes No

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
14.871	Section H Rental Voucher Program
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes X No

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

B. FINANCIAL STATEMENT FINDINGS

08-01 Segregation of Duties

Condition: There is a lack of segregation of duties or mitigating controls over the following areas:

- Payroll – The same employee can initiate, process, and generate payment for payroll. Further, there is not a secondary level of review prior to payroll being disbursed.
- Cash disbursements – The same employee can process, print electronically signed checks, and reconcile disbursements for accounts payable.
- Cash receipts – The same employee can receive money, create the deposit slip, and make the deposit.

Criteria: An appropriately designed system of internal controls requires segregation of duties where practical.

Cause: Management has not had the time and/or resources to appropriately segregate these duties.

Effect: Effect over areas noted in Condition:

- The practice of one employee processing payroll poses the risk of errors or irregularities in payroll processing. Payroll could be misstated.
- The practice of one employee performing the processing accounts payable poses the risk of errors or irregularities in the disbursement process.
- Lack of segregation poses the risk of errors and misappropriation of cash.

Recommendation: Moss Adams recommends that a secondary level review of the payroll process be implemented prior to the checks being direct deposited or mailed. We recommend the entry of accounts payable is segregated from individuals who process disbursements. We recommend the same individual not be allowed to receive, create, and make deposits. Further, we recommend that the Village of Los Lunas implement a formal policy that prevents individuals from creating and approving their own entries.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

08-01 Segregation of Duties (Continued)

Management Response:

- Payroll: The Village implemented an electronic timesheet system in May 2009, called NovaTime whereby each employee enters their time worked by logging into the system with their own login and password. The electronic timesheet system will allow the employee to enter their time and submit to their supervisor for approval. At this level the supervisor is able to review the timesheet, send back to the employee if needed for revisions and then approve for payroll processing. Once the timesheet has been approved by the supervisor the timesheet is sent to the Payroll Clerk for processing. The Payroll Clerk and an IT Programmer review the timesheets for any input errors and reconcile the electronic timesheets when they are transferred to the financial system for processing. Before the checks and electronic payments are processed the Payroll Clerk and IT Programmer review for errors. Approximately 98% of the Village payroll is direct deposit. The Finance Officer reviews the direct deposit file before it is submitted to the bank for processing. Payroll is assigned to the Payroll Clerk for processing, however, since the implementation of the new electronic timesheet system the Payroll Clerk does not enter the time or hours worked for the employee. This is done by the employee and approved by their supervisor; therefore, the Village feels that there is a segregation of duties with respect to payroll processing.
- Accounts Payable: The Village agrees that the system in place for accounts payable should have more controls. Currently, we have an Office Receptionist who enters the purchase orders in our requisition program from approving departments. The purchase orders are then given to our Accounts Payable Clerk who maintains these records and when invoices and statements are received the purchase orders are matched up to these documents. The necessary changes are made to the vouchers and the checks are processed. When the checks are processed, they are returned to the Office Receptionist for sorting and mail preparation. The added control that we will implement will be for our Administrative Assistant to process the checks once the Accounts Payable Clerk has reconciled the accounts payable batch.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

08-01 Segregation of Duties (Continued)

Management Response (Continued):

- **Cash Receipts:** The Village employs four employees in the Cash Receipting Department. Each employee has their own cash drawer for utility and miscellaneous payments. There are times when the supervisor will have to take a payment and then reconcile the daily batch in order to maintain efficiency in the department. The majority of the time there are two clerks who are responsible for taking payments at the drive-up window and in the office. The Head Cashier and Supervisor are responsible for reconciling the daily batches. The Village will look into having the Supervisor reconcile batches only without taking any payments to comply with the segregation of duties.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

09-01 Inability to Prepare GAAP-based Financial Statements

Condition: Management is unable to prepare the financial statements and the Schedule of Expenditures of Federal awards. Excessive reliance is placed on the auditor to prepare financial statements in accordance with GAAP.

Criteria: The Governmental Accounting Standards Board, *Codification of Governmental Accounting and Financial Reporting Standards (GASB)*, Section 1100 requires governments to prepare financial statements on the modified accrual basis for governmental type funds and full accrual basis for enterprise type funds.

Cause: The Village keeps its books on the cash basis and have not taken the necessary steps to prepare financial statements in the modified accrual basis.

Effect: The Village may not have the ability to prevent and detect material misstatements in its financial statements.

Recommendation: We recommend the Village ensures that management is adequately trained to prepare financial statements in accordance with GAAP.

Management Response: The Village does maintain financial information on a cash basis system; however, accruals are prepared for the auditors for presentation in the financial statements. The Finance Officer will be responsible for ensuring that financial records are accurate and easy to reconcile for GAAP purposes.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

09-06 Municipal Solid Waste Landfill Liability

Condition: Estimated costs for postclosure monitoring and maintenance of the Village's municipal solid waste landfill (MSWLF) have not been reviewed or evaluated during the current fiscal year.

Criteria: According to Governmental Accounting Standards Board Statement #18 (GASBS 18) the estimated total current cost of MSWLF closure and postclosure care should include:

- a. The cost of equipment expected to be installed and facilities expected to be constructed (based on the MSWLF operating plan) near or after the date that the MSWLF stops accepting solid waste and during the postclosure period.
- b. The cost of final cover (capping) expected to be applied near or after the date that the MSWLF stops accepting solid waste.
- c. The cost of monitoring and maintaining the expected usable MSWLF area during the postclosure period.

The cost components included should be based on federal, state, or local laws or regulations concerning closure and postclosure care that have been approved as of the balance sheet date, regardless of their effective date. Current cost is defined as the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. After the initial calculation of estimated total current cost of MSWLF closure and postclosure care, current cost is required to be adjusted annually for the effects of inflation or deflation and other changes. The effect of any changes in estimates that occur before the MSWLF stops accepting solid waste is required to be reported primarily in the period of change.

Cause: The Village has not performed a study of postclosure MSWLF costs in over 10 years.

Effect: The estimated liability for future postclosure costs may be misstated.

Recommendation: We recommend the Village perform a thorough review and evaluation of the closed MSWLF. This should include an engineering study by a qualified firm to determine the estimated amount of postclosure costs remaining. The Village should review the estimate and adjust the liability accordingly on at least an annual basis based on the effects of inflation, deflation and other changes.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

09-06 Municipal Solid Waste Landfill Liability (Continued)

Management Response: The Village currently maintains a financial cost worksheet and updates the post closure liability annually based on inflation and the consumer price index. This report is reviewed by the Financial Services Planner and the Utilities Director and submitted to the Environment Department. The Village is responsible for monitoring the landfill during the post-closure period and we maintain a financial liability schedule as established by the engineering firm, Souder, Miller and Associates. If the Village is required to update the engineering study, we would be directed to do so by the Environment Department. At this time the methodology used for the liability calculation is sufficient; however, we will keep the auditor's suggestion under advisement. The Village does not agree with this audit finding.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

09-07 Unreported Federal Awards

Condition: During our review of loan agreements with New Mexico Finance Authority (NMFA) and New Mexico Environmental Department (NMED), we noted that the programs are 80% funded by Environmental Protection Agency (EPA). However, the Village was not aware of this fact and hence total draws from the loans of \$12.7 million for the year ended June 30, 2009 were not included in the Schedule of Expenditures of Federal Awards (SEFA).

Criteria: A-133 Single Audit Act requires all grantees to accumulate all federal expenditures into the SEFA and to comply with all the applicable program requirements.

Effect: The SEFA for the year ended June 30, 2009 has been reissued due to material misstatements in the SEFA.

Cause: The Village was not aware that the loans provided by NMFA and NMED were funded by EPA.

Questioned Costs: None

Recommendation: We recommend that the Village inquire as to the source of any funding that is received from non-federal agencies. This is to ensure that applicable compliance requirements are met.

Management Response: Management agrees with auditor's recommendation. Management will review funding documents and ask the appropriate questions to ensure that we know who the funding sources are when working with NMFA and NMED.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

09-02 Income Verification

Federal Agency: Department of Housing and Urban Development
CFDA 14.871, Section 8 Housing Choice Vouchers

Condition: During our testwork of the Section 8 Voucher program, 2 of the 18 tenant files selected did not contain proper third party verification of income.

Criteria: According to 24 CFR 982.516, “The PHA must obtain and document in the tenant file third party verification of the following factors, or must document in the tenant file why third party verification was not available: (i) Reported family annual income...”

Questioned Costs: None

Cause: Proper supporting documentation was not used to verify third party income for recertification.

Effect: HUD requires third party verification on income. Lack of verification could result in the tenant is understating/overstating their income to receive more/less assistance.

Recommendation: We recommend that the Village of Los Lunas Housing Authority continue to use the EIV system since it is maintained by the Social Security Administration and that they adequately file all documentation in the tenant files. The tenant files should be reviewed by a qualified individual to verify that all of the supporting documentation is complete and accurate.

Management Response: The Executive Director of the Housing Authority will ensure that the proper documentation is maintained in the tenant file including income verification support.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

09-03 Reporting

Federal Agency: Department of Housing and Urban Development
CFDA 14.871, Section 8 Housing Choice Vouchers

Condition: During our testwork of the Section 8 Voucher program, we noted that 1 of the 18 HUD-50058 reports selected had incorrect information that does not match the tenant file. The report had incorrect date of birth.

Criteria: According to 24 CFR 908, the PHA must submit a HUD-50058 report on every family when they are entered into the system, upon annual reexamination, and for any changes to family income or composition during the year.

Questioned Costs: None.

Cause: Management has not implemented a review process of forms being submitted to HUD and is not monitoring the annual re-examinations to ensure reporting is being submitted with correct information.

Effect: HUD is not receiving correct family information from the Housing Authority.

Recommendation: Management is encouraged to implement procedures to ensure that reports submitted to HUD are accurate.

Management Response: The Executive Director of the Housing Authority will ensure that a review process is in place for all tenant files. The review process will include a checklist to ensure that all client information is accurate before it is submitted to HUD.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

09-04 Cash Management

Federal Agency: Department of Housing and Urban Development
CFDA 14.871, Section 8 Housing Choice Vouchers

Condition: During our reporting testwork over HUD-52681-B, we noted one month in which the 'Unit Months Leased' was incorrectly reported. In addition, we noted there was no formal review of HUD-52681-B prior to submission.

Criteria: According to 24 CFR parts 5, 982, and 985, HUD will use HUD-52681-B and the Voucher Management System (VMS) to monitor the PHA's HCVP financial and operational performance. PHA's are required to submit HAP and leasing information using HUD-52681-B and the VMS.

Questioned Costs: There are no costs associated with the reports.

Cause: Management has not implemented a review process of forms being submitted to HUD via VMS to ensure reporting is being submitted with correct information.

Effect: HUD is not receiving correct unit months leased information from the Housing Authority.

Recommendation: Management needs to implement procedures to ensure that reports submitted to HUD are reviewed for accuracy.

Management Response: The Community Services Director will review the monthly VMS reports that are submitted to HUD for accuracy. The VMS reports are prepared by the Executive Director of the Housing Authority with monthly financial reports provided by the Finance Officer. The Community Services Director will sign an official document with approval to be kept in the monthly cash disbursements files for HUD.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

**D. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978**

08-02 Timely Deposits

Condition: In our cash receipts testwork we noted one instance out of eighteen tested, wherein checks were received on a Friday but were not deposited until the following Wednesday. This is not a timely deposit of cash as it should be deposited within 24 hours or the following Monday if received on a Friday.

Criteria: Receipts of public monies should be deposited within 24 hours of receiving the cash.

Effect: This resulted in a violation of State laws. Additionally, the Village has exposed itself to possible misappropriation of assets.

Cause: The likely cause is forgetting to make the deposit.

Recommendation: Moss Adams recommends that the Village implement procedures to ensure deposits are made within 24 hours of receipt.

Management Response: The Village agrees with the audit finding and will ensure that all deposits are made in compliance with state statute. The Supervisor of the Water Department has been informed of this finding and will be responsible for enforcing compliance.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

**D. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978 (CONTINUED)**

08-08 Budget Overage

Condition: The Village exceeded budgeted expenditures in the EMS Fund by \$4,063.

Criteria: According the 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.

Effect: The Village is out of compliance with statutory requirements to obtain approval prior to expending funds.

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

Recommendation: The Village should implement policies and procedures ensuring that actual expenditures do not exceed the approved budget.

Management Response: The Village proposed the increase during the mid-year review of the budget which was approved by the Village Administrator. However, the budget increase was not sent to the Department of Finance and Administration for appropriate approval. When there is a budget increase, Village Administration staff will ensure that DFA is notified for proper approval.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2009**

**D. OTHER FINDINGS, AS REQUIRED BY NEW MEXICO STATE STATUTE,
SECTION 12-6-5, NMSA 1978 (CONTINUED)**

09-05 Late Audit Report

Condition: The Village submitted its financial statements beyond the due date of December 1, 2009. The Office of the State Auditor received the audit report on March 12, 2010.

Criteria: Subsection A of 2.2.2.9 NMAC states that audit report due date for municipalities is December 1.

Cause: There were key financial statement schedules that were not prepared or provided by the Village in time to meet the statutory deadline.

Effect: The users of the Village's financial statements, including the State Auditor, legislators and others, were not able to review the City's report timely.

Recommendation: We recommend the Village implement procedures to ensure timely completion of required financial statement and audit schedules.

Management Response: The Village of Los Lunas agrees with the auditor's recommendation and will coordinate efforts with all parties involved in a more efficient manner for a timely audit.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
EXIT CONFERENCE
Year Ended June 30, 2009**

The contents of this report were discussed in the exit conference held on January 27, 2010 and with the changes of the reissued report on September 30, 2011, with the following in attendance:

Representing Village of Los Lunas:

Robert Vialpando	Mayor
Peter Fernandez	Village Administrator
Monica Clarke	Financial Manager

Representing Moss Adams LLP:

January 27, 2010	
James Hartogensis	Senior Manager

September 30, 2011	
Larry Carmony	Partner
Jaime Rumbaoa	Manager

The financial statements were prepared with the assistance of Moss Adams LLP from the books and records of Village of Los Lunas.