



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

**FINANCIAL STATEMENTS**

**JUNE 30, 2010**

**MOSS ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

*Acumen. Agility. Answers.*

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

**Official Roster**

**June 30, 2010**

Robert Vialpando	Mayor
Gerard Saiz	Councilor
Cecilia Castillo	Councilor
Richard Lovato	Councilor
Charles Griego	Councilor
Peter Fernandez	Village Administrator
Monica Clarke	Finance Officer

## Report of Independent Auditors

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, 2010, 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, 2010, 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, 2010, 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. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects the financial position of each non-major fund of the Village, as of June 30, 2010, 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 non-major governmental funds and the major enterprise funds for the year ended June 30, 2010 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 November 28, 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 through 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 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.

*Mess Adams LLP*

Albuquerque, New Mexico  
November 28, 2011

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010**

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 \$49,848,319 for fiscal year 2010.
- The Village's governmental program revenues were \$6,623,356 for fiscal year 2010.
- The total cost of all Village governmental programs was \$17,407,176.

**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, 2010**

**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, 2010**

**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, 2010**

**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, 2010.

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$13,383,868	12,089,151	6,541,385	6,415,760	19,925,253	18,504,911
Capital and non-current assets	48,426,530	47,755,408	62,055,885	57,033,403	110,482,415	104,788,811
<b>Total assets</b>	<b>\$61,810,398</b>	<b>59,844,559</b>	<b>68,597,270</b>	<b>63,449,163</b>	<b>130,407,668</b>	<b>123,293,722</b>
Current liabilities	1,873,927	1,824,757	3,530,013	3,524,003	5,403,940	5,348,760
Long-term liabilities	10,088,152	10,496,197	27,818,323	24,030,742	37,906,475	34,526,939
<b>Total liabilities</b>	<b>11,962,079</b>	<b>12,320,954</b>	<b>31,348,336</b>	<b>27,554,745</b>	<b>43,310,415</b>	<b>39,875,699</b>
Net Assets:						
Invested in capital assets, net of related debt and unspent bond proceeds	37,677,275	37,043,367	35,125,376	33,890,419	73,802,651	70,933,786
Restricted	1,417,066	12,031,105	-	-	1,417,066	12,031,105
Unrestricted	9,753,978	(1,550,867)	2,123,558	2,003,999	11,877,536	453,132
<b>Total net assets</b>	<b>49,848,319</b>	<b>47,523,605</b>	<b>37,248,934</b>	<b>35,894,418</b>	<b>87,097,253</b>	<b>83,418,023</b>
<b>Total liabilities and net assets</b>	<b>\$61,810,398</b>	<b>59,844,559</b>	<b>68,597,270</b>	<b>63,449,163</b>	<b>130,407,668</b>	<b>123,293,722</b>

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2010**

**Financial Analysis of the Village as a Whole (Continued)**

For the fiscal year ending June 30, 2010, the Village had \$110,482,415 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and water sewer lines. This amount represents an increase of \$5,693,604 from prior year. In fiscal year 2010, the Village disposed of obsolete and worn-out inventory. Capital assets (net of accumulated depreciation) make up 85% of the Village's total assets from all activities. The Village utilized these assets to provide services to its citizens; therefore, these assets are not available for future spending.

In fiscal year 2010, the net assets from the Village's governmental funds increased by 5% from the prior fiscal year. The Village's gross receipt tax and property taxes had a decrease of 5%, however total expenses decreased by \$1,007,526 compared to prior year.

For fiscal year 2010, there is \$1,417,066 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 2010, the net assets of our business-type activities increased 4% over the prior fiscal year. This increase is due to capital assets that were added to the Village's inventory for fiscal year 2010. 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 long-term debt (including capital leases and compensated absences) of \$10,100,902 and \$28,667,582 for the governmental activities and business-type activities, respectively.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2010**

**Financial Analysis of the Village as a Whole (Continued)**

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

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

The purpose of this issue was to defray the cost to 1) refund the Village's Gross Receipts Tax Refunding Revenue Bonds, Series 1993, and the Village's Infrastructure Fund Gross Receipts Tax Revenue Bonds, Series 1995, 2) acquire, extend, enlarge, better repair, otherwise improve or maintain sanitary sewers, sewage treatment plants or water 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 \$144,597 in new debt issued for fiscal year 2010 for governmental activities for the purchase of a street sweeper. For business-related activities, there was addition in the amount of \$5,443,395, related to the NMFA Drinking Water Loan for the Arsenic Treatment Project at \$6,060,000 and 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, 2010**

**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 2010.

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,561,700	1,817,484	8,715,340	8,917,419	10,277,040	10,734,903
Operating grants & contributions	5,061,656	4,059,877	-	-	5,061,656	4,059,877
Capital grants & contributions	-	-	-	-	-	-
General revenues:						
Property taxes	2,149,758	1,993,157	-	-	2,149,758	1,993,157
Other taxes	11,204,910	11,741,736	-	-	11,204,910	11,741,736
Miscellaneous	222,242	133,080	554,693	461,722	776,935	594,802
Interest & other revenues	44,241	153,965	(240,787)	(244,214)	(196,546)	(90,249)
Total revenues	20,244,507	19,899,299	9,029,246	9,134,927	29,273,753	29,034,226
Expenses:						
General government	3,585,585	4,648,184	-	-	3,585,585	4,648,184
Public safety	5,824,286	5,827,255	-	-	5,824,286	5,827,255
Highways & streets	3,522,262	3,729,495	-	-	3,522,262	3,729,495
Culture & recreation	2,813,614	2,715,748	-	-	2,813,614	2,715,748
Health & welfare	1,327,372	1,198,715	-	-	1,327,372	1,198,715
Interest on long-term debt	334,057	295,305	-	-	334,057	295,305
Water/sewer	-	-	5,127,532	8,720,210	5,127,532	8,720,210
Solid waste	-	-	1,964,065	1,988,430	1,964,065	1,988,430
Transportation	-	-	747,799	597,763	747,799	597,763
Total expenses	17,407,176	18,414,702	7,839,396	11,306,403	25,246,572	29,721,105
Net revenues (loss) before						
Transfers	2,837,331	1,484,597	1,189,850	(2,171,476)	4,027,181	(686,879)
-	-	-	-	-	-	-
Transfers	(239,364)	(5,117,421)	164,666	5,139,130	(74,698)	21,709
Disposition of capital asset	(273,253)	(84,302)	-	-	(273,253)	-
Increase in net assets	2,324,714	(3,717,126)	1,354,516	2,967,654	3,679,230	(749,472)
Net assets, beginning of year	47,523,605	51,240,731	35,894,418	32,926,764	83,418,023	84,167,495
Net assets, end of year	\$ 49,848,319	47,523,605	37,248,934	35,894,418	87,097,253	83,418,023



**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2010**

**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 \$20,875,201 and actual revenues received were \$16,670,027, which is a negative variance of \$4,205,174. In addition, the total General Fund expense budget was \$21,349,152 and actual expenditures were \$12,989,711, which is a positive variance of \$8,359,441.

There were no significant differences between the original and final budgeted revenue amounts for the General Fund.

**Progress Highlights for Fiscal year 2010**

- 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
- Completed construction on the \$ 6,060,000 Arsenic Project
- Completed construction on the \$ 15,000,000 WWTP Expansion Project
- Began construction on NM 314 Railroad Crossing/Pedestrian Crossing and NM 314 Intersection & Courthouse Road – both ARRA Stimulus Projects totaling \$2.185 million
- Purchased 8 new police units
- Completed Highway COOP Paving improvements totaling \$1.9 million dollars
- Continued construction of 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, 2010**

**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 2010-2011 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 2010-2011, 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, 2010**

**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, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 7,312,769	4,987,962	12,300,731
Restricted cash	-	179,930	179,930
Investments	462,630	440,000	902,630
Receivables, net	4,490,304	2,013,965	6,504,269
Internal balances	1,118,165	(1,118,165)	-
Inventories	-	37,693	37,693
<b>Total current assets</b>	<b>13,383,868</b>	<b>6,541,385</b>	<b>19,925,253</b>
Noncurrent Assets			
Capital assets	88,275,176	83,693,321	171,968,497
Less accumulated depreciation	(39,848,646)	(21,637,436)	(61,486,082)
<b>Total noncurrent assets</b>	<b>48,426,530</b>	<b>62,055,885</b>	<b>110,482,415</b>
<b>Total assets</b>	<b>\$ 61,810,398</b>	<b>68,597,270</b>	<b>130,407,668</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 310,892	787,734	1,098,626
Accrued payroll expenses	331,924	69,859	401,783
Customer deposits	-	219,930	219,930
Interest payable	-	723,532	723,532
Long-term liabilities			
Due within one year			
Bonds, notes, capital leases and compensated absences	1,231,111	1,728,958	2,960,069
Due in more than one year			
Bonds, notes and capital leases	8,834,626	26,930,509	35,765,135
Compensated absences	35,165	8,115	43,280
Post-closure landfill costs	-	879,699	879,699
Net other postemployment benefits obligation	1,218,361	-	1,218,361
<b>Total liabilities</b>	<b>11,962,079</b>	<b>31,348,336</b>	<b>43,310,415</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	38,677,275	35,125,376	73,802,651
Restricted for			
Capital projects	1,128,589	-	1,128,589
Debt service	288,477	-	288,477
Unrestricted	9,753,978	2,123,558	11,877,536
<b>Total net assets</b>	<b>49,848,319</b>	<b>37,248,934</b>	<b>87,097,253</b>
<b>Total net assets and liabilities</b>	<b>\$ 61,810,398</b>	<b>68,597,270</b>	<b>130,407,668</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General government	\$ 3,585,585	1,382,140	2,548,047	-
Public safety	5,824,286	49,154	151,220	-
Public works	3,522,262	-	549,618	-
Health, welfare and sanitation	1,327,372	16,227	1,812,771	-
Culture and recreation	2,813,614	114,179	-	-
Interest on long-term debt	334,057	-	-	-
<b>Total governmental activities</b>	<b>17,407,176</b>	<b>1,561,700</b>	<b>5,061,656</b>	<b>-</b>
<b>Business-Type Activities</b>				
Water sewer	5,127,532	6,110,536	-	-
Solid waste	1,964,065	1,908,861	-	-
Transportation	747,799	695,943	-	-
<b>Total business-type activities</b>	<b>7,839,396</b>	<b>8,715,340</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 25,246,572</b>	<b>10,277,040</b>	<b>5,061,656</b>	<b>-</b>
<b>General Revenues</b>				
Taxes				
Property taxes, levied for general purposes				
Franchise tax				
Sales tax				
Other taxes				
Disposition of capital assets				
Unrestricted investment earnings (loss)				
Miscellaneous				
Transfers				
<b>Total general revenues, special items, and transfers</b>				

**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
\$	344,602	-	344,602
	(5,623,912)	-	(5,623,912)
	(2,972,644)	-	(2,972,644)
	501,626	-	501,626
	(2,699,435)	-	(2,699,435)
	(334,057)	-	(334,057)
	<u>(10,783,820)</u>	<u>-</u>	<u>(10,783,820)</u>
	-	983,004	983,004
	-	(55,204)	(55,204)
	-	(51,856)	(51,856)
	<u>-</u>	<u>875,944</u>	<u>875,944</u>
	(10,783,820)	875,944	(9,907,876)
	2,149,758	-	2,149,758
	329,683	-	329,683
	10,341,716	-	10,341,716
	533,511	-	533,511
	(273,253)	-	(273,253)
	44,241	(240,787)	(196,546)
	222,242	554,693	776,935
	(239,364)	164,666	(74,698)
	<u>13,108,534</u>	<u>478,572</u>	<u>13,587,106</u>
	2,324,714	1,354,516	3,679,230
	<u>47,523,605</u>	<u>35,894,418</u>	<u>83,418,023</u>
\$	<u>49,848,319</u>	<u>37,248,934</u>	<u>87,097,253</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2010

	General Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,600,621	561,221	1,150,927	7,312,769
Investments	462,630	-	-	462,630
Due from other funds	1,118,165	-	-	1,118,165
Receivable from other governments	3,939,118	410,081	97,226	4,446,425
Other receivables	-	-	43,879	43,879
<b>Total assets</b>	<b>\$ 11,120,534</b>	<b>971,302</b>	<b>1,292,032</b>	<b>13,383,868</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 187,650	98,943	24,299	310,892
Accrued payroll expenses	318,004	-	13,920	331,924
<b>Total liabilities</b>	<b>505,654</b>	<b>98,943</b>	<b>38,219</b>	<b>642,816</b>
<b>FUND BALANCES</b>				
Reserved for				
Debt service	-	-	288,477	288,477
Capital projects	-	872,359	256,230	1,128,589
Unreserved	10,614,880	-	-	10,614,880
Unreserved, reported in non-major	-	-	709,106	709,106
<b>Total fund balances</b>	<b>10,614,880</b>	<b>872,359</b>	<b>1,253,813</b>	<b>12,741,052</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,120,534</b>	<b>971,302</b>	<b>1,292,032</b>	<b>13,383,868</b>

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, 2010**

<b>Total Fund Balance - Governmental Funds</b>	
<b>Governmental Funds Balance Sheet</b>	<b>\$ 12,741,052</b>

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	88,275,176
Accumulated depreciation	<u>(39,848,646)</u>
<b>Total capital assets</b>	<b><u>48,426,530</u></b>

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)	(10,452,549)
Compensated absences payable	<u>351,647</u>
<b>Total long-term and other liabilities</b>	<b><u>(10,100,902)</u></b>

The liability recorded for the year ended June 30, 2010 related to postemployment benefits obligation is:	<u>(1,218,361)</u>
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Net assets of governmental activities (Statement of Net Assets)	<b><u><u>\$ 49,848,319</u></u></b>
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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, 2010**

	General Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Sales and miscellaneous taxes	\$ 10,788,604	2,176,129	389,935	13,354,668
Fees and fines	112,716	-	-	112,716
Licenses and permits	188,890	-	-	188,890
Intergovernmental	2,548,047	549,618	1,963,991	5,061,656
Charges for services	1,080,534	-	179,560	1,260,094
Investment earnings	41,089	1,299	1,853	44,241
Miscellaneous	222,242	-	-	222,242
<b>Total revenues</b>	<b>14,982,122</b>	<b>2,727,046</b>	<b>2,535,339</b>	<b>20,244,507</b>
<b>Expenditures</b>				
Current				
General government	2,349,029	-	149,035	2,498,064
Public safety	5,008,897	-	553,986	5,562,883
Public works	696,174	-	46,273	742,447
Health and sanitation	171	-	1,307,286	1,307,457
Culture and recreation	2,288,130	-	80,842	2,368,972
Debt Service				
Principal	-	-	771,166	771,166
Interest and other charges	-	-	334,057	334,057
Capital outlay	2,749,747	2,254,369	66,683	5,070,799
<b>Total expenditures</b>	<b>13,092,148</b>	<b>2,254,369</b>	<b>3,309,328</b>	<b>18,655,845</b>
Excess (deficiency) of revenues over (under) expenditures	1,889,974	472,677	(773,989)	1,588,662
<b>Other Financing Sources (Uses)</b>				
Reversions to State General Fund	-	-	-	-
Proceeds from long-term debt, net	-	-	-	-
Transfers in	315,416	-	851,455	1,166,871
Transfers out	(718,302)	(624,380)	(63,553)	(1,406,235)
<b>Total other financing sources (uses)</b>	<b>(402,886)</b>	<b>(624,380)</b>	<b>787,902</b>	<b>(239,364)</b>
<b>Net change in fund balances</b>	<b>1,487,088</b>	<b>(151,703)</b>	<b>13,913</b>	<b>1,349,298</b>
Fund balances, beginning of year	9,127,792	1,024,062	1,239,900	11,391,754
<b>Fund balances, end of year</b>	<b>\$ 10,614,880</b>	<b>872,359</b>	<b>1,253,813</b>	<b>12,741,052</b>

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, 2010**

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

\$ 1,349,298

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

20,099

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  
Debt proceeds

771,166  
(195,685)

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, 2009 to June 30, 2010 is:

(340,000)

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  
Capital outlay  
Depreciation expense

(273,253)  
5,070,799  
(4,077,710)

Excess (deficiency) of capital outlay over depreciation expense and loss on asset disposal

719,836

**Change in net assets of governmental activities  
(Statement of Activities)**

\$ 2,324,714

*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, 2010**

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 11,567,394	11,567,394	12,310,178	742,784
Licenses and permits	133,132	133,132	188,890	55,758
Intergovernmental	7,180,810	7,180,810	2,714,378	(4,466,432)
Governmental Grants	52,818	52,818	9,000	(43,818)
Charges for services	1,114,302	1,114,302	1,080,534	(33,768)
Fines and forfeitures	140,278	140,278	112,716	(27,562)
Miscellaneous	519,600	519,600	213,242	(306,358)
Interest	166,867	166,867	41,089	(125,778)
<b>Total revenues</b>	<b>20,875,201</b>	<b>20,875,201</b>	<b>16,670,027</b>	<b>(4,205,174)</b>
<b>Expenditures</b>				
General government	3,734,266	3,734,266	3,041,146	693,120
Public safety	5,531,732	5,531,732	5,002,596	529,136
Highways and streets	9,305,695	9,305,695	2,685,139	6,620,556
Culture and recreation	2,777,459	2,777,459	2,260,830	516,629
Health and welfare	-	-	-	-
<b>Total expenditures</b>	<b>21,349,152</b>	<b>21,349,152</b>	<b>12,989,711</b>	<b>8,359,441</b>
<b>Other Financing Sources</b>				
Operating transfers in (out)	(593,301)	(593,301)	(402,886)	190,415
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>\$ (1,067,252)</b>	<b>(1,067,252)</b>	<b>3,277,430</b>	<b>4,344,682</b>
Changes in accounts receivable			(1,687,905)	
Changes in accounts payable			(102,437)	
Changes in accrued liabilities			-	
<b>GAAP change in fund balance</b>			<b>\$ 1,487,088</b>	

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, 2010

	Infrastructure Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,969,037	1,969,037	2,112,675	143,638
Interest	4,834	4,834	1,299	(3,535)
Intergovernmental	621,054	621,054	549,618	(71,436)
Miscellaneous	-	-	-	-
	<u>2,594,925</u>	<u>2,594,925</u>	<u>2,663,592</u>	<u>68,667</u>
Expenditures				
General government	-	-	-	-
Highways and streets	-	-	-	-
Capital outlay	2,813,312	2,813,312	2,254,369	558,943
	<u>2,813,312</u>	<u>2,813,312</u>	<u>2,254,369</u>	<u>558,943</u>
Other Financing Sources				
Operating transfers in (out)	(637,005)	(637,005)	(624,380)	12,625
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (855,392)</u>	<u>(855,392)</u>	<u>(215,157)</u>	<u>640,235</u>
Changes in accounts receivable			<u>63,454</u>	
GAAP change in fund balance			<u>\$ (151,703)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
June 30, 2010

	Enterprise Funds			Total
	Water Sewer Fund	Solid Waste Fund	Transportation Fund	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 3,164,294	1,699,842	123,826	4,987,962
Restricted cash	179,930	-	-	179,930
Investments	240,000	200,000	-	440,000
Accounts receivable, net	1,438,385	504,189	71,391	2,013,965
Inventories	37,693	-	-	37,693
<b>Total current assets</b>	<b>5,060,302</b>	<b>2,404,031</b>	<b>195,217</b>	<b>7,659,550</b>
Noncurrent Assets				
Capital assets	79,544,880	3,737,670	410,771	83,693,321
Less accumulated depreciation	(18,616,843)	(2,778,620)	(241,973)	(21,637,436)
<b>Total noncurrent assets</b>	<b>60,928,037</b>	<b>959,050</b>	<b>168,798</b>	<b>62,055,885</b>
<b>Total assets</b>	<b>\$ 65,988,339</b>	<b>3,363,081</b>	<b>364,015</b>	<b>69,715,435</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 178,707	603,695	5,332	787,734
Salaries payable	27,870	26,036	15,953	69,859
Customer deposits	219,930	-	-	219,930
Interest payable	723,532	-	-	723,532
Due from other funds	1,118,165	-	-	1,118,165
Current portion of debt	1,596,723	122,628	9,607	1,728,958
<b>Total current liabilities</b>	<b>3,864,927</b>	<b>752,359</b>	<b>30,892</b>	<b>4,648,178</b>
Non-Current Liabilities				
Compensated absences	4,659	2,388	1,068	8,115
Capital lease obligation	310,314	116,465	-	426,779
Post-closure landfill costs	-	879,699	-	879,699
Bonds, notes and loans payable	26,503,730	-	-	26,503,730
<b>Total non-current liabilities</b>	<b>26,818,703</b>	<b>998,552</b>	<b>1,068</b>	<b>27,818,323</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	34,113,993	842,585	168,798	35,125,376
Unrestricted	1,190,716	769,585	163,257	2,123,558
<b>Total net assets</b>	<b>35,304,709</b>	<b>1,612,170</b>	<b>332,055</b>	<b>37,248,934</b>
<b>Total liabilities and net assets</b>	<b>\$ 65,988,339</b>	<b>3,363,081</b>	<b>364,015</b>	<b>69,715,435</b>

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, 2010

	Enterprise Funds			Total
	Water Sewer Fund	Solid Waste Fund	Transportation Fund	
Revenues				
Charges for services	\$ 6,110,536	1,908,861	695,943	8,715,340
Miscellaneous	200,000	321,720	32,973	554,693
<b>Total operating revenues</b>	<b>6,310,536</b>	<b>2,230,581</b>	<b>728,916</b>	<b>9,270,033</b>
Operating Expenses				
Personal services	883,986	756,675	591,316	2,231,977
Miscellaneous expenses	2,612,116	1,047,735	112,470	3,772,321
Depreciation	1,631,430	159,655	44,013	1,835,098
<b>Total operating expenses</b>	<b>5,127,532</b>	<b>1,964,065</b>	<b>747,799</b>	<b>7,839,396</b>
Operation income (loss)	1,183,004	266,516	(18,883)	1,430,637
Non-Operating Revenues (Expenses)				
Interest and investment revenue	12,004	5,667	-	17,671
Interest expense	(244,685)	(13,773)	-	(258,458)
<b>Total non-operating revenue (expenses)</b>	<b>(232,681)</b>	<b>(8,106)</b>	<b>-</b>	<b>(240,787)</b>
Income (loss) before contributions and transfers	950,323	258,410	(18,883)	1,189,850
Capital Contributions				
Transfers in	60,610	-	243,629	304,239
Transfers out	(115,596)	(14,174)	(9,803)	(139,573)
<b>Change in net assets</b>	<b>895,337</b>	<b>244,236</b>	<b>214,943</b>	<b>1,354,516</b>
Net assets, beginning of year	34,409,372	1,367,934	117,112	35,894,418
<b>Net assets, end of year</b>	<b>\$ 35,304,709</b>	<b>1,612,170</b>	<b>332,055</b>	<b>37,248,934</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
Year Ended June 30, 2010**

	Water Sewer Fund	Solid Waste Fund	Transportation Fund	Total
<b>Cash Flows From Operating Activities</b>				
Cash received from customers and others	\$ 7,294,745	2,152,559	684,303	10,131,607
Cash paid for goods and services	(2,263,601)	(929,840)	(110,806)	(3,304,247)
Cash paid to employees	(880,328)	(757,580)	(594,592)	(2,232,500)
<b>Net cash provided (used) by operating activities</b>	<b>4,150,816</b>	<b>465,139</b>	<b>(21,095)</b>	<b>4,594,860</b>
<b>Cash Flows From Non-Capital Financing Activities</b>				
Operating transfers, net	(54,987)	(14,174)	233,826	164,665
<b>Cash Flows From Capital and Related Financing Activities</b>				
Purchases of capital assets	(6,597,529)	(131,825)	(128,226)	(6,857,580)
Debt proceeds	5,443,395	-	-	5,443,395
Debt payment	(859,681)	(145,150)	-	(1,004,831)
Interest paid	(244,685)	(13,773)	-	(258,458)
<b>Net cash used by capital and related financing activities</b>	<b>(2,258,500)</b>	<b>(290,748)</b>	<b>(128,226)</b>	<b>(2,677,474)</b>
<b>Cash Flows From Investing Activities</b>				
Interest received	12,004	5,667	-	17,671
Proceeds from sale of investments	-	40,000	-	40,000
<b>Net cash provided by investing activities</b>	<b>12,004</b>	<b>45,667</b>	<b>-</b>	<b>57,671</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,849,333</b>	<b>205,884</b>	<b>84,505</b>	<b>2,139,722</b>
Cash and restricted cash and cash equivalents, beginning of year	1,494,891	1,493,958	39,321	3,028,170
<b>Cash and restricted cash and cash equivalents, end of year</b>	<b>\$ 3,344,224</b>	<b>1,699,842</b>	<b>123,826</b>	<b>5,167,892</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating income (loss)	\$ 1,183,004	266,516	(18,883)	1,430,637
<b>Noncash items</b>				
Disposition of capital asset	-	-	-	-
<b>Adjustments to operating income</b>				
Depreciation expense	1,631,430	159,655	44,013	1,835,098
Accounts receivable	977,994	(265,280)	(44,613)	668,101
Due from other funds	1,118,165	187,258	-	1,305,423
Inventory	573	-	-	573
Accounts payable	(1,491,332)	117,895	4,413	(1,369,024)
Meter deposit	6,215	-	-	6,215
Accrued liabilities	721,109	(1,091)	(2,749)	717,269
Compensated absences	3,658	186	(3,276)	568
Post closure landfill liability	-	-	-	-
<b>Net cash provided by operating activities</b>	<b>\$ 4,150,816</b>	<b>465,139</b>	<b>(21,095)</b>	<b>4,594,860</b>
<b>Schedule of Noncash Capital and Related Financing Activities</b>				
Capital assets acquired by capital lease	\$ -	-	-	-

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, 2010**

**ASSETS**

Cash and cash equivalents \$ 1,491,840

**Total assets** **\$ 1,491,840**

**LIABILITIES**

Due to others \$ 1,491,840

**Total liabilities** **\$ 1,491,840**

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**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.

**A. Financial Reporting Entity**

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.

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

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Financial Reporting Entity (Continued)**

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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, 2010**

**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.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Presentation – Fund Accounting (Continued)**

The village reports the following major governmental funds:

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

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

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, 2010**

**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, 2010 was \$592,515.

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, 2010**

**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 2010 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.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2009 were collected in 2010, and taxes certified in 2010 will be collected in 2011. 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, 2010**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2010**

**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, 2010**

**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.

**NOTE 3. DEPOSITS AND INVESTMENTS**

**A. Cash and Investments**

As of June 30, 2010, the Village had the following investments:

	<u>Fair Value</u>	<u>Weighted Maturity Average (Months)</u>
Certificates of deposit	\$ 902,630	2.5

**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.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)**

**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.

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, 2010.

**NOTE 4. RECEIVABLES**

Receivables as of June 30, 2010 consisted of the following. All receivables as of June 30, 2010 were deemed to be fully collectible.

	General	Infrastructure Fund	Other Governmental Funds	Enterprise	Total
Receivables:					
Trade accounts	\$ -	-	-	2,013,965	2,013,965
Taxes	3,939,118	410,081	97,226	-	97,226
Other	-	-	43,879	-	43,879
Total receivables	<u>\$ 3,939,118</u>	<u>410,081</u>	<u>141,105</u>	<u>2,013,965</u>	<u>6,504,269</u>

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 5. CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance June 30, 2009	Additions	Transfers/ Deletions	Balance June 30, 2010
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,751,177	170,050	-	6,921,227
Construction in progress	<u>392,555</u>	<u>1,119,414</u>	-	<u>1,511,969</u>
Total capital assets not being depreciated	<u>7,143,732</u>	<u>1,289,464</u>	-	<u>8,433,196</u>
Capital assets being depreciated				
Buildings and improvements	14,913,516	705,624	-	15,619,140
Vehicles	3,597,392	576,163	(250,191)	3,923,364
Machinery and equipment	3,509,959	90,642	(40,858)	3,559,743
Capital leases	644,918	-	(273,253)	371,665
Infrastructure	<u>54,007,876</u>	<u>2,360,192</u>	-	<u>56,368,068</u>
Total capital assets being depreciated	<u>76,673,661</u>	<u>3,732,621</u>	<u>(564,302)</u>	<u>79,841,980</u>
<i>Total capital assets</i>	<u>83,817,393</u>	<u>5,022,085</u>	<u>(564,302)</u>	<u>88,275,176</u>
Less accumulated depreciation for				
Buildings and improvements	(4,665,147)	(817,127)	-	(5,482,274)
Vehicles	(3,140,607)	(240,927)	250,191	(3,131,343)
Machinery and equipment	(1,757,503)	(262,933)	40,858	(1,979,578)
Capital leases	(637,260)	(43,981)	-	(681,241)
Infrastructure	<u>(25,861,468)</u>	<u>(2,712,742)</u>	-	<u>(28,574,210)</u>
Total accumulated depreciation	<u>(36,061,985)</u>	<u>(4,077,710)</u>	<u>291,049</u>	<u>(39,848,646)</u>
Total capital assets being depreciated, net	<u>40,611,676</u>	<u>(345,089)</u>	<u>(273,253)</u>	<u>39,993,334</u>
Governmental activities				
Capital assets, net	<u>\$ 47,755,408</u>	<u>944,375</u>	<u>(273,253)</u>	<u>48,426,530</u>

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

Business-Type Activities	Balance June 30, 2009	Additions	Transfers/ Deletions	Balance June 30, 2010
Capital assets not being depreciated				
Land and improvements	\$ 1,087,074	131,825	-	1,218,899
Construction in progress	15,652,974	6,292,593	-	21,945,567
Water rights	<u>3,413,825</u>	<u>42,009</u>	-	<u>3,455,834</u>
Total capital assets not being depreciated	20,153,873	6,466,427	-	26,620,300
Capital assets being depreciated				
Buildings and improvements	979,211	-	-	979,211
Vehicles	3,603,740	168,804	(173,187)	3,599,357
Machinery and equipment	1,009,082	-	-	1,009,082
Water/sewer plant	<u>51,263,022</u>	<u>222,349</u>	-	<u>51,485,371</u>
Total capital assets being depreciated	<u>56,855,055</u>	<u>391,153</u>	<u>(173,187)</u>	<u>57,073,021</u>
Total capital assets	77,008,928	6,857,580	(173,187)	83,693,321
Less accumulated depreciation for				
Buildings and improvements	(298,488)	(30,257)	-	(328,745)
Vehicles	(3,259,077)	(108,704)	173,187	(3,194,594)
Machinery and equipment	(786,370)	(139,433)	-	(925,803)
Water/sewer plant	<u>(15,631,590)</u>	<u>(1,556,704)</u>	-	<u>(17,188,294)</u>
Total accumulated depreciation	(19,975,525)	(1,835,098)	173,187	(21,637,436)
Total capital assets being depreciated, net	<u>36,879,530</u>	<u>(1,443,945)</u>	-	<u>35,435,585</u>
Business-type activities				
Capital assets, net	<u>\$ 57,033,403</u>	<u>5,022,482</u>	-	<u>62,055,885</u>

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

Governmental activities	
General government	\$ 571,935
Public safety	261,403
Highways and streets	2,779,815
Culture and recreation	444,642
Health and welfare	<u>19,915</u>
	<u>\$ 4,077,710</u>

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

Business-type activities	
Water/sewer	\$ 1,631,430
Solid waste	159,655
Transportation	<u>44,013</u>
Total depreciation expense	<u>\$ 1,835,098</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
2011	\$ 41,000	21,137
2012	43,000	19,190
2013	45,000	17,148
2014	47,000	15,010
2015	49,000	12,778
2016 - 2019	<u>220,000</u>	<u>26,552</u>
Total	<u>\$ 445,000</u>	<u>111,815</u>

**Gross Receipts Tax Revenue Bonds - Government**

	Principal	Interest
2011	\$ 640,000	249,705
2012	725,000	227,625
2013	650,000	198,625
2014	675,000	175,225
2015	700,000	150,250
2016 - 2019	<u>3,050,000</u>	<u>318,000</u>
Total	<u>\$ 6,440,000</u>	<u>1,319,430</u>

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 6. LONG-TERM DEBT (CONTINUED)**

**Government Notes Payable**

	Principal	Interest
2011	\$ 244,572	71,332
2012	253,151	63,969
2013	259,605	57,358
2014	242,271	50,437
2015	177,952	44,002
2016 – 2020	783,611	171,232
2021 – 2025	865,171	89,673
2025 – 2027	<u>370,778</u>	<u>11,160</u>
Total	<u>\$ 3,197,111</u>	<u>559,163</u>

**Enterprise Notes Payable**

	Principal	Interest
2011	\$ 1,319,876	689,403
2012	1,436,242	695,675
2013	1,472,804	659,147
2014	1,488,893	621,645
2015	1,526,776	583,786
2016 – 2020	7,568,672	2,321,378
2021 – 2025	6,444,880	1,390,891
2026 – 2030	<u>6,161,463</u>	<u>525,404</u>
Total	<u>\$27,419,606</u>	<u>7,487,329</u>



**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 6. LONG-TERM DEBT (CONTINUED)**

The changes to long-term debt are as follows:

	Interest Rate	Balance June 30, 2009	Increase	(Decrease)	Balance June 30, 2010	Amounts Due Within One Year
<b>Business-type activities:</b>						
<b>Water and sewer fund</b>						
Wastewater facility construction loan	2.00%	\$ 2,706,333	-	(277,441)	2,428,892	282,990
Valencia waterline loan (89-17)	3.00%	79,676	-	(19,045)	60,631	19,616
Drinking water state revolving loan	2.54%	2,538,591	-	(184,164)	2,354,427	189,228
Clean water state revolving loan	2.00%	2,811,799	-	(140,505)	2,671,294	143,315
Clean water state revolving loan 2008	3.00%	14,460,967	1,419,595	-	15,880,562	595,451
Joint water & sewer system revenue bond	4.75%	484,000	-	(39,000)	445,000	41,000
NMFA drinking water loan	2.00%	-	4,023,800	-	4,023,800	89,276
Equipment lease	Various	703,752	-	(199,526)	504,226	193,912
Compensated absences		42,936	39,668	(36,010)	46,594	41,935
<b>Total water and sewer fund</b>		<b>23,828,054</b>	<b>5,483,063</b>	<b>(895,691)</b>	<b>28,415,426</b>	<b>1,596,723</b>
<b>Solid Waste Fund</b>						
Equipment lease	Various	362,747	-	(145,150)	217,597	101,132
Compensated absences		23,698	25,665	(25,479)	23,884	21,496
<b>Total solid waste fund</b>		<b>386,445</b>	<b>25,665</b>	<b>(170,629)</b>	<b>241,481</b>	<b>122,628</b>
<b>Transportation Fund</b>						
Compensated absences		13,951	11,184	(14,460)	10,675	9,607
<b>Total business-type activities</b>		<b>\$ 24,228,450</b>	<b>5,519,912</b>	<b>(1,080,780)</b>	<b>28,667,582</b>	<b>1,728,958</b>
<b>Governmental Activities</b>						
2003-A gross receipts tax	4.20%	\$ 5,175,000	-	-	5,175,000	100,000
2003-B gross receipts tax	4.00%	1,840,000	-	(575,000)	1,265,000	540,000
PPRF disadvantaged program loan	2.90%	95,688	-	(22,883)	72,805	23,572
NMED loan	2.00%	2,863,010	-	(133,708)	2,729,302	136,383
USDA loan	4.38%	279,494	-	(29,087)	250,407	58,287
NMFA Police Vehicles	1.78%	-	144,597	-	144,597	26,330
Equipment lease	Various	160,456	-	(48,312)	112,144	30,057
Compensated absences		331,548	297,236	(277,137)	351,647	316,482
<b>Total governmental activities</b>		<b>10,745,196</b>	<b>441,833</b>	<b>(1,086,127)</b>	<b>10,100,902</b>	<b>1,231,111</b>
<b>Grand total long-term debt</b>		<b>\$ 34,973,646</b>	<b>5,961,745</b>	<b>(2,166,907)</b>	<b>38,768,484</b>	<b>2,960,069</b>

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**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
2011	\$ 35,424	320,196
2012	35,424	284,977
2013	35,424	149,720
2014	<u>17,149</u>	<u>7,802</u>
Total lease payments	123,421	762,695
Less interest	<u>(11,277)</u>	<u>(40,872)</u>
Total	<u>\$ 112,144</u>	<u>721,823</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, 2010**

**NOTE 7. OPERATING TRANSFERS (CONTINUED)**

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
<b>Governmental Funds:</b>		
General Fund	\$ 168,769	571,655
Infrastructure Fund	-	624,380
LDWI Grant Fund	100,951	4,779
Housing	-	2,943
Street Fund	-	60,610
<b>Debt Service Funds:</b>		
Bond Acquisition		
2003 A GRT Revenue Fund	227,075	-
2003 B GRT Revenue Fund	624,380	-
<b>Enterprise Funds:</b>		
Water Sewer	60,610	115,596
Solid Waste	-	14,174
Transportation	243,629	9,803
<b>Agency Fund</b>		
Central Dispatch	-	21,474
Total	<u>\$ 1,425,414</u>	<u>1,425,414</u>

**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, 2010**

**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, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute from 3.2875% to 4.05% (depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Village is required to contribute 19.0125% to 33.4% (depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the (name of employer) are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The (name of employer)'s contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$737,988, \$737,988, and \$694,778, respectively, which equal the amount of the required contributions for each fiscal year.

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

**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.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

*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 2010, the Village contributed \$215,416 to the Plan. Plan members receiving benefits contributed \$40,413 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>(255,559)</u>
Increase in net OPEB obligation	340,000
Net OPEB obligation, beginning of year	<u>878,361</u>
Net OPEB obligation, end of year	<u>\$ 1,218,361</u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/08	\$ 595,559	10.2%	\$ 534,559
6/30/09	595,559	42.3%	878,361
6/30/10	595,559	42.3%	1,218,361

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

*Funded Status and Funding Progress.* As of July 1, 2009, 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.

**NOTE 12. 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.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2010**

**NOTE 12. CONDUIT DEBT OBLIGATIONS (CONTINUED)**

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.

**NOTE 13. 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 will be effective July 1, 2011 and will document 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 will become employees of 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, 2010**

	Lodger's Tax	Section 8 Housing	Fire Fund	Recreation Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 85,692	96,599	-	222,838
Investments	-	-	-	-
Taxes receivable, net	-	-	-	-
Due from other funds	-	-	-	-
Receivable from other governments	-	97,226	-	-
Other receivables	11,920	-	-	637
<b>Total assets</b>	<b>\$ 97,612</b>	<b>193,825</b>	<b>-</b>	<b>223,475</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 515	1,631	2,818	(1,359)
Due to other funds	-	-	-	-
Other accrued expenses	-	4,959	-	-
<b>Total liabilities</b>	<b>515</b>	<b>6,590</b>	<b>2,818</b>	<b>(1,359)</b>
<b>FUND BALANCES</b>				
Reserved for				
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unreserved	97,097	187,235	(2,818)	224,834
<b>Total fund balances</b>	<b>97,097</b>	<b>187,235</b>	<b>(2,818)</b>	<b>224,834</b>
<b>Total liabilities and fund balances</b>	<b>\$ 97,612</b>	<b>193,825</b>	<b>-</b>	<b>223,475</b>



	Local Government Correction	Law Enforcement Protection	Emergency Medical Services	Local DWI	Total Special Revenue
\$	122,860	-	-	108,381	636,370
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	97,226
	-	-	-	-	12,557
<hr/>					
\$	122,860	-	-	108,381	746,153
<hr/>					
\$	8,644	8,106	-	2,772	23,127
	-	-	-	-	-
	-	-	-	8,961	13,920
<hr/>					
	8,644	8,106	-	11,733	37,047
<hr/>					
	-	-	-	-	-
	-	-	-	-	-
	114,216	(8,106)	-	96,648	709,106
<hr/>					
	114,216	(8,106)	-	96,648	709,106
<hr/>					
\$	122,860	-	-	108,381	746,153
<hr/>					

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
COMBINING BALANCE SHEET -  
OTHER GOVERNMENTAL FUNDS (CONTINUED)  
June 30, 2010

	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
<b>ASSETS</b>						
Cash and cash equivalents	\$ 226,080	226,080	92,385	196,092	288,477	1,150,927
Investments	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	97,226
Other receivables	31,322	31,322	-	-	-	43,879
<b>Total assets</b>	<b>\$ 257,402</b>	<b>257,402</b>	<b>92,385</b>	<b>196,092</b>	<b>288,477</b>	<b>1,292,032</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 1,172	1,172	-	-	-	24,299
Due to other funds	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	13,920
<b>Total liabilities</b>	<b>1,172</b>	<b>1,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,219</b>
<b>FUND BALANCES</b>						
Reserved for						
Debt service	-	-	92,385	196,092	288,477	288,477
Other purposes	-	-	-	-	-	-
Capital projects	256,230	256,230	-	-	-	256,230
Unreserved						709,106
<b>Total fund balances</b>	<b>256,230</b>	<b>256,230</b>	<b>92,385</b>	<b>196,092</b>	<b>288,477</b>	<b>1,253,813</b>
<b>Total liabilities and fund balances</b>	<b>\$ 257,402</b>	<b>257,402</b>	<b>92,385</b>	<b>196,092</b>	<b>288,477</b>	<b>1,292,032</b>

**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, 2010**

	Lodger's Tax	Section 8 Housing	Fire Fund	Recreation Fund
<b>Revenues</b>				
Sales and miscellaneous taxes	\$ 56,276	-	-	7,034
Intergovernmental	-	1,244,923	111,420	-
Charges for services	-	16,227	-	114,179
Investment earnings	195	-	-	195
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>56,471</b>	<b>1,261,150</b>	<b>111,420</b>	<b>121,408</b>
<b>Expenditures</b>				
Current				
General government	56,605	-	-	-
Public safety	-	-	53,438	-
Public works	-	-	-	-
Health and welfare	-	1,307,286	-	-
Culture and recreation	-	1,540	-	79,302
Debt Service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	1,000	57,982	1,901
<b>Total expenditures</b>	<b>56,605</b>	<b>1,309,826</b>	<b>111,420</b>	<b>81,203</b>
Excess (deficiency) of revenues over (under) expenditures	(134)	(48,676)	-	40,205
<b>Other Financing Sources (Uses)</b>				
Reversions to State General Fund	-	-	-	-
Proceeds from long-term debt, net	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(2,943)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(2,943)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(134)</b>	<b>(51,619)</b>	<b>-</b>	<b>40,205</b>
Fund balances, beginning of year	97,231	238,854	(2,818)	184,629
<b>Fund balances, end of year</b>	<b>\$ 97,097</b>	<b>187,235</b>	<b>(2,818)</b>	<b>224,834</b>

Local Government Correction	Law Enforcement Protection	Emergency Medical Service	Local DWI	Total Special Revenue
-	-	-	-	63,310
-	39,800	11,187	556,661	1,963,991
49,154	-	-	-	179,560
195	-	-	-	585
-	-	-	-	-
<u>49,349</u>	<u>39,800</u>	<u>11,187</u>	<u>556,661</u>	<u>2,207,446</u>
92,430	-	-	-	149,035
-	-	11,187	489,361	553,986
-	-	-	-	-
-	-	-	-	1,307,286
-	-	-	-	80,842
-	-	-	-	-
-	33,982	-	-	33,982
-	18	-	-	18
-	5,800	-	-	66,683
<u>92,430</u>	<u>39,800</u>	<u>11,187</u>	<u>489,361</u>	<u>2,191,832</u>
<u>(43,081)</u>	-	-	<u>67,300</u>	<u>15,614</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(2,943)
-	-	-	-	(2,943)
<u>(43,081)</u>	-	-	<u>67,300</u>	<u>12,671</u>
<u>157,297</u>	<u>(8,106)</u>	-	<u>29,348</u>	<u>696,435</u>
<u>114,216</u>	<u>(8,106)</u>	-	<u>96,648</u>	<u>709,106</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, 2010

	Municipal Street Improvement	Total Capital Projects
Revenues		
Sales and miscellaneous taxes	\$ 326,625	326,625
Intergovernmental	-	-
Charges for services	-	-
Investment earnings	1,034	1,034
Miscellaneous	-	-
	<hr/>	<hr/>
<b>Total revenues</b>	327,659	327,659
	<hr/>	<hr/>
Expenditures		
Current		
General government	-	-
Public safety	-	-
Public works	46,273	46,273
Health and welfare	-	-
Culture and recreation	-	-
Debt Service		
Principal	162,184	162,184
Interest and other charges	64,209	64,209
Capital outlay	-	-
	<hr/>	<hr/>
<b>Total expenditures</b>	272,666	272,666
	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	54,993	54,993
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Reversions to State General Fund	-	-
Proceeds from long-term debt, net	-	-
Transfers in	-	-
Transfers out	(60,610)	(60,610)
	<hr/>	<hr/>
<b>Total other financing sources (uses)</b>	(60,610)	(60,610)
	<hr/>	<hr/>
<b>Net change in fund balances</b>	(5,617)	(5,617)
Fund balances, beginning of year	261,847	261,847
	<hr/>	<hr/>
<b>Fund balances, end of year</b>	\$ 256,230	256,230
	<hr/>	<hr/>

	2003A Gross Receipts Tax Revenue Bond	2003B Gross Receipts Tax Revenue Bond	Total Debt Service	Total Other Governmental Funds
\$	-	-	-	389,935
	-	-	-	1,963,991
	-	-	-	179,560
	26	208	234	1,853
	-	-	-	-
	26	208	234	2,535,339
	-	-	-	149,035
	-	-	-	553,986
	-	-	-	46,273
	-	-	-	1,307,286
	-	-	-	80,842
	-	575,000	575,000	771,166
	202,075	67,755	269,830	334,057
	-	-	-	66,683
	202,075	642,755	844,830	3,309,328
	(202,049)	(642,547)	(844,596)	(773,989)
	-	-	-	-
	-	-	-	-
	227,075	624,380	851,455	851,455
	-	-	-	(63,553)
	227,075	624,380	851,455	787,902
	25,026	(18,167)	6,859	13,913
	67,359	214,259	281,618	1,239,900
\$	92,385	196,092	288,477	1,253,813

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, 2010

	Water/Sewer			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>Revenues</b>				
Water sales and service	\$ 3,333,053	3,333,053	3,210,533	(122,520)
Sewer sales and service	2,458,833	2,458,833	2,319,986	(138,847)
Taxes	238,726	238,726	265,335	26,609
Interest	40,337	40,337	12,004	(28,333)
Miscellaneous	6,260,000	6,260,000	-	(6,260,000)
<b>Total revenues</b>	<b>12,330,949</b>	<b>12,330,949</b>	<b>5,807,858</b>	<b>(6,523,091)</b>
<b>Expenditures</b>				
Water/sewer - treatment plant	1,801,277	1,801,277	1,729,800	71,477
Water/sewer - utility expense	9,577,053	9,577,053	4,450,234	5,126,819
<b>Total expenditures</b>	<b>11,378,330</b>	<b>11,378,330</b>	<b>6,180,034</b>	<b>5,198,296</b>
<b>Other Financing Sources</b>				
Operating transfers in (out)	(54,986)	(54,986)	(54,986)	-
<b>Revenues and other financing sources over (under) expenditures and other financing uses</b>				
	897,633	<u>897,633</u>	(427,162)	<u>(1,324,795)</u>
Budgeted beginning cash	<u>0</u>			
	<u>\$ 897,633</u>			
<b>Unbudgeted revenues and expenses</b>				
Changes in accounts receivable			502,678	
Changes in accounts payable			1,052,502	
Changes in accrued liabilities			<u>(232,681.00)</u>	
GAAP change in net assets			<u>\$ 895,337</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, 2010

	Solid Waste			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Solid waste sales	\$ 1,697,841	1,697,841	2,050,319	352,478
Taxes	411,092	411,092	367,520	(43,572)
Interest	16,219	16,219	5,667	(10,552)
<b>Total revenues</b>	<u>2,125,152</u>	<u>2,125,152</u>	<u>2,423,506</u>	<u>298,354</u>
Expenditures				
Solid waste expense	2,095,697	2,095,697	1,967,426	128,271
<b>Total expenditures</b>	<u>2,095,697</u>	<u>2,095,697</u>	<u>1,967,426</u>	<u>128,271</u>
Other Financing Sources				
Operating transfers in (out)	<u>(14,174)</u>	<u>(14,174)</u>	<u>(14,174)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	15,281	<u>15,281</u>	441,906	<u>426,625</u>
Budgeted beginning cash	<u>-</u>			
	<u>\$ 15,281</u>			
Unbudgeted revenues and expenses				
Changes in accounts receivable			(192,925)	
Changes in accounts payable			3,361	
Changes in accrued liabilities			<u>(8,106)</u>	
GAAP change in net assets			<u>\$ 244,236</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, 2010

	Transportation 5311 Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ 549,026	549,026	643,766	94,740
Miscellaneous	156,687	156,687	32,973	(123,714)
<b>Total revenues</b>	<b>705,713</b>	<b>705,713</b>	<b>676,739</b>	<b>(28,974)</b>
Expenditures				
General government	977,739	977,739	751,701	226,038
<b>Total expenditures</b>	<b>977,739</b>	<b>977,739</b>	<b>751,701</b>	<b>226,038</b>
Other Financing Sources				
Operating transfers out	(9,803)	(9,803)	(9,803)	-
Operating transfers in	243,629	243,629	243,629	-
<b>Total other financing sources</b>	<b>233,826</b>	<b>233,826</b>	<b>233,826</b>	<b>-</b>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (38,200)</u>	<u>(38,200)</u>	158,864	<u>197,064</u>
Changes in accounts receivable			52,177	
Changes in accounts payable			3,902	
Changes in accrued liabilities			-	
GAAP change in net assets			<u>\$ 214,943</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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 62,147	62,147	68,275	6,128
Interest	1,257	1,257	195	(1,062)
<b>Total revenues</b>	<b>63,404</b>	<b>63,404</b>	<b>68,470</b>	<b>5,066</b>
Expenditures				
General government	63,000	63,000	56,540	6,460
<b>Total expenditures</b>	<b>63,000</b>	<b>63,000</b>	<b>56,540</b>	<b>6,460</b>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 404	404	11,930	11,526
Budgeted beginning cash	-			
Changes in accounts receivable			(11,999)	
Changes in accounts payable			(65)	
Changes in accrued liabilities			-	
GAAP change in fund balance			\$ (134)	

**VILLAGE OF LOS LUNAS**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)**  
**SECTION 8 HOUSING**  
**Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ 1,172,128	1,172,128	1,244,595	72,467
Interest	506	506	-	(506)
<b>Total revenues</b>	<b>1,172,634</b>	<b>1,172,634</b>	<b>1,244,595</b>	<b>71,961</b>
Expenditures				
Health and welfare	1,217,901	1,217,901	1,216,560	1,341
<b>Total expenditures</b>	<b>1,217,901</b>	<b>1,217,901</b>	<b>1,216,560</b>	<b>1,341</b>
Other Financing Uses				
Operating transfers out	(2,943)	-	(2,943)	2,943
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (48,210)</u>	<u>(45,267)</u>	25,092	<u>76,245</u>
Budgeted beginning cash	<u>0</u>			
Changes in accounts receivable			16,555	
Changes in accounts payable			(93,266)	
Changes in accrued liabilities			-	
GAAP change in fund balance			<u>\$ (51,619)</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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 84,279	84,279	111,420	27,141
Interest	-	-	-	-
<b>Total revenues</b>	<b>84,279</b>	<b>84,279</b>	<b>111,420</b>	<b>27,141</b>
Expenditures				
Public safety	84,279	84,279	111,420	(27,141)
<b>Total expenditures</b>	<b>\$ 84,279</b>	<b>84,279</b>	<b>111,420</b>	<b>(27,141)</b>

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 15,962	15,962	7,278	(8,684)
Interest	1,257	1,257	195	(1,062)
Charges for services	72,735	72,735	114,179	41,444
<b>Total revenues</b>	<b>89,954</b>	<b>89,954</b>	<b>121,652</b>	<b>31,698</b>
Expenditures				
Culture and recreation	73,200	73,200	71,205	1,995
<b>Total expenditures</b>	<b>73,200</b>	<b>73,200</b>	<b>71,205</b>	<b>1,995</b>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 16,754	16,754	50,447	33,693
Changes in accounts receivable			(244)	
Changes in accounts payable			(9,998)	
Changes in accrued liabilities			-	
GAAP change in fund balance			\$ 40,205	

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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 83,420	83,420	49,154	(34,266)
Interest	953	953	195	(758)
<b>Total revenues</b>	<u>84,373</u>	<u>84,373</u>	<u>49,349</u>	<u>(35,024)</u>
Expenditures				
General government	85,000	85,000	82,430	2,570
<b>Total expenditures</b>	<u>85,000</u>	<u>85,000</u>	<u>82,430</u>	<u>2,570</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (627)</u>	<u>(627)</u>	(33,081)	<u>(37,594)</u>
Changes in accounts receivable			-	
Changes in accounts payable			(10,000)	
Changes in accrued liabilities			<u>-</u>	
GAAP change in fund balance			<u>\$ (43,081)</u>	

**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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ 39,800	39,800	39,800	-
Interest	-	-	-	-
<b>Total revenues</b>	<b>39,800</b>	<b>39,800</b>	<b>39,800</b>	<b>-</b>
Expenditures				
Public safety	39,800	39,800	39,800	-
<b>Total expenditures</b>	<b>\$ 39,800</b>	<b>39,800</b>	<b>39,800</b>	<b>-</b>

**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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 40,084	40,084	11,187	(28,897)
Interest	-	-	-	-
<b>Total revenues</b>	<b>40,084</b>	<b>40,084</b>	<b>11,187</b>	<b>(28,897)</b>
Expenditures				
Public safety	40,084	40,084	11,187	28,897
<b>Total expenditures</b>	<b>40,084</b>	<b>40,084</b>	<b>11,187</b>	<b>28,897</b>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	-	-	-
Changes in accounts receivable			-	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 449,584	449,584	569,500	119,916
Interest	-	-	-	-
<b>Total revenues</b>	<u>449,584</u>	<u>449,584</u>	<u>569,500</u>	<u>119,916</u>
Expenditures				
Public safety	548,945	548,945	489,225	59,720
<b>Total expenditures</b>	<u>548,945</u>	<u>548,945</u>	<u>489,225</u>	<u>59,720</u>
Other Financing Sources				
Operating transfers in (out)	96,172	96,172	-	(96,172)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (3,189)</u>	<u>(3,189)</u>	80,275	<u>83,464</u>
Changes in accounts receivable			(12,839)	
Changes in accounts payable			(136)	
Changes in accrued liabilities			-	
GAAP change in fund balance			<u>\$ 67,300</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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 267,785	267,785	354,287	86,502
Admin revenue	-	-	-	-
Interest	5,284	5,284	1,034	(4,250)
<b>Total revenues</b>	<u>273,069</u>	<u>273,069</u>	<u>355,321</u>	<u>82,252</u>
Expenditures				
Highways and streets	274,969	274,969	263,745	11,224
<b>Total expenditures</b>	<u>274,969</u>	<u>274,969</u>	<u>263,745</u>	<u>11,224</u>
Other Financing Sources				
Operating transfers in (out)	(60,610)	(60,610)	(60,610)	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (62,510)</u>	<u>(62,510)</u>	30,966	<u>93,476</u>
Budgeted beginning cash	<u>-</u>			
Changes in accounts receivable			(27,662)	
Changes in accounts payable			(8,921)	
Changes in accrued liabilities			-	
GAAP change in fund balance			<u>\$ (5,617)</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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest revenue	\$ 450	450	26	(424)
<b>Total revenues</b>	<u>450</u>	<u>450</u>	<u>26</u>	<u>(424)</u>
Expenditures				
Debt service	202,075	202,075	202,075	-
<b>Total expenditures</b>	<u>202,075</u>	<u>202,075</u>	<u>202,075</u>	<u>-</u>
Other Financing Sources				
Operating transfers in	202,074	202,074	227,075	(25,001)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 449</u>	<u>449</u>	25,026	<u>(25,425)</u>
Changes in accounts receivable			-	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
GAAP change in fund balance			<u>\$ 25,026</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, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest revenue	\$ 1,385	1,385	208	(1,177)
<b>Total revenues</b>	<u>1,385</u>	<u>1,385</u>	<u>208</u>	<u>(1,177)</u>
Expenditures				
Debt service	637,005	637,005	635,239	1,766
<b>Total expenditures</b>	<u>637,005</u>	<u>637,005</u>	<u>635,239</u>	<u>1,766</u>
Other Financing Sources				
Operating transfers in	637,005	637,005	624,380	(12,625)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 1,385</u>	<u>1,385</u>	<u>(10,651)</u>	<u>(12,036)</u>
Changes in accounts receivable			-	
Changes in accounts payable			-	
Changes in accrued liabilities			<u>(7,516)</u>	
GAAP change in fund balance			<u>\$ (18,167)</u>	

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL  
Year Ended June 30, 2010**

	Wells Fargo	First Community Bank	SECU	My Bank
<b>Deposits in Bank or Savings and Loan</b>				
Money market	\$ 2,503,051	3,808,075	2,630	-
Bank deposits	1,925,233	3,308,800	-	-
Repurchase deposits	939,534	-	-	-
Certificates of deposit	-	-	100,000	100,000
	<u>5,367,818</u>	<u>7,116,875</u>	<u>102,630</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>
<b>Total uninsured public funds</b>	<u>5,117,818</u>	<u>6,866,875</u>	<u>(147,370)</u>	<u>(150,000)</u>
<b>Collateral requirement @ 50%</b>	2,089,142	3,433,438	-	-
<b>Collateral requirement @ 102%</b>	<u>958,325</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total required collateralization</b>	<u>3,047,467</u>	<u>3,433,438</u>	<u>-</u>	<u>-</u>
<b>Pledges and securities</b>				
FNCL 867437, CUSIP 31409CV69, 6.0%, due 05/01/2036	1,632,227	-	-	-
FNCL 928832, CUSIP 31412L4R8, 6.00%, due 10/1/2037	117,674	-	-	-
FNCL 984845, CUSIP 31415PBN7, 6.00%, due 7/1/2038	1,291,706	-	-	-
FNCL 986519, CUSIP 31415Q4C7, 5.50%, due 6/1/2038	1,088,637	-	-	-
Los Lunas NM Sch Dist 1 CUSIP 545562KY5, 3.65%, due 07/15/2014	-	100,000	-	-
Ruidoso NM Mun Sch Dist 3 CUSIP 781338GN2, 3.85%, due 08/01/2021	-	500,000	-	-
MBS GNMA I, CUSIP 36295KKN2, 4.00%, due 05/15/2023	-	323,206	-	-
MBS GNMA I, CUSIP 3620A6FL6, 4.50%, due 08/15/2024	-	1,264,669	-	-
GNR 2009-65 CB, CUSIP 38373AHC3, 5.50%, due 09/16/2024	-	80,731	-	-
GNR 2009-61 TE, CUSIP 38376FGC0, 4.50%, due 02/16/2032	-	433,990	-	-
GNR 2007-7 PB, CUSIP 38375JJB2, 5.00%, due 06/16/2032	-	106,380	-	-
MBS GNMA II 1 Yr, CUSIP 36225ELT7, 5.00%, due 08/20/2038	-	54,951	-	-
GNR 2009-43 JP, CUSIP 38374UG62, 5.00%, due 10/20/2036	-	732,287	-	-
Cavanal Hill US Treasury FD#0002, 0.01%	-	-	-	-
Cavanal Hill US Treasury FD#0002, 0.01%	-	-	-	-
FHLMC FG #E01251 (14), CUSIP 31294KL86, 5.50%, due 11/01/2017	-	-	-	-
GNMA GNR 2010-50 GC, CUSIP 38376YJB8, 3.00%, due 01/20/2036	-	-	-	-
Santa Fe Cnty NM Pub, CUSIP 801889LV6, 4.1%, due 07/01/2023	-	-	-	-
	<u>4,130,243</u>	<u>3,596,214</u>	<u>-</u>	<u>-</u>
<b>Total pledged securities</b>	<u>4,130,243</u>	<u>3,596,214</u>	<u>-</u>	<u>-</u>
<b>(Over) under pledged</b>	<u>\$ (1,082,777)</u>	<u>(162,777)</u>	<u>-</u>	<u>-</u>

Safekeeping locations for the above securities are as follows:

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

First Community 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
\$	288,478	851,026	-	-	152,717	7,605,977
	-	548,724	-	-	-	5,782,757
	-	-	-	-	-	939,534
	100,000	300,000	100,326	200,000	-	900,326
	388,478	1,699,750	100,326	200,000	152,717	15,228,594
	250,000	250,000	250,000	250,000	250,000	2,250,000
	138,478	1,449,750	(149,674)	(50,000)	(97,283)	12,978,594
	69,239	724,875	-	-	-	6,316,694
	-	-	-	-	-	958,325
	69,239	724,875	-	-	-	7,275,018
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	92,385	-	-	-	-	-
	196,092	-	-	-	-	-
	-	191,578	-	-	-	-
	-	1,078,855	-	-	-	-
	-	-	-	414,020	-	-
	288,478	1,270,433	-	414,020	-	9,699,388
\$	(219,239)	(545,558)	-	(414,020)	-	(2,424,370)

**STATE OF NEW MEXICO**  
**VILLAGE OF LOS LUNAS**  
**SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS**  
**Year Ended June 30, 2010**

	Wells Fargo	First Community Bank	SECU	My Bank
Deposits in Bank or Savings and Loan				
Money market	\$ 2,503,051	3,808,075	2,630	-
Bank deposits	1,925,233	3,308,800	-	-
Repurchase deposits	939,534	-	-	-
Certificates of deposit	-	-	100,000	100,000
<b>Total bank balance</b>	<b>5,367,818</b>	<b>7,116,875</b>	<b>102,630</b>	<b>100,000</b>
Reconciling Items				
Outstanding checks	(788,684)	(18,323)	-	-
Deposits in transit	120,039	150,255	-	-
Other adjustments	-	-	-	-
<b>Total adjustments</b>	<b>(668,645)</b>	<b>131,932</b>	<b>-</b>	<b>-</b>
<b>Total book balance</b>	<b>4,699,173</b>	<b>7,248,807</b>	<b>102,630</b>	<b>100,000</b>
Less agency fund balances included in bank balance	1,308,590	-	-	-
<b>Total primary government</b>	<b>\$ 3,390,583</b>	<b>7,248,807</b>	<b>102,630</b>	<b>100,000</b>

	Bank of Albuquerque	Bank of the West	NMEFCU	New Mexico Bank & Trust	X-press Bill Pay	Total
\$	288,478	851,026	-	-	152,717	7,605,977
	-	548,724	-	-	-	5,782,757
	-	-	-	-	-	939,534
	100,000	300,000	100,326	200,000	-	900,326
	388,478	1,699,750	100,326	200,000	152,717	15,228,594
	-	-	-	-	-	(807,007)
	-	-	-	-	-	270,294
	-	-	-	-	-	-
	-	-	-	-	-	(536,713)
	388,478	1,699,750	100,326	200,000	152,717	14,691,881
	-	-	-	-	-	1,308,590
\$	388,478	1,699,750	100,326	200,000	152,717	13,383,291



**STATE OF NEW MEXICO**  
**VILLAGE OF LOS LUNAS**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS**  
**Year Ended June 30, 2010**

	Court Trust Fund	Central Solid Waste Authority	Central Dispatch
Assets, July 1, 2009	\$ -	-	-
Increase	3,742	1,222,169	227,504
Decrease	-	-	-
<b>Assets, June 30, 2010</b>	<b>\$ 3,742</b>	<b>1,222,169</b>	<b>227,504</b>
Liabilities, July 1, 2009	\$ -	-	-
Increase	3,742	1,222,169	227,504
Decrease	-	-	-
<b>Liabilities, June 30, 2010</b>	<b>\$ 3,742</b>	<b>1,222,169</b>	<b>227,504</b>

	FSS Escrow	COPS for Kids	Bail Bond Fund	Municipal Court Bond	Total
\$	-	-	-	-	-
	13,128	(2,757)	-	28,054	1,491,840
	-	-	-	-	-
<hr/>					
\$	13,128	(2,757)	-	28,054	1,491,840
<hr/>					
\$	-	-	-	-	-
	13,128	(2,757)	-	28,054	1,491,840
	-	-	-	-	-
<hr/>					
\$	13,128	(2,757)	-	28,054	1,491,840
<hr/>					

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
FINANCIAL DATA SCHEDULE  
Year Ended June 30, 2010

HUD Line Item #	Account Description	Section 8 Rental Voucher Program 14.871	Shelter Plus Care 14.238
<b>ASSETS</b>			
111	Section 8 Fund Cash	\$ 96,599	-
121	Accounts receivable - PHA projects	97,226	-
	<b>Total assets</b>	<b>193,825</b>	<b>-</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
312	Accounts payable, less than 90 days	1,631	-
321	Accrued wage/payroll taxes payable	4,959	-
322	Accrued compensated absences	-	-
333	Due to general fund accounts payable - other government	-	-
	<b>Total liabilities</b>	<b>6,590</b>	<b>-</b>
Fund Balances			
512	Unreserved, undesignated	187,235	-
	<b>Total fund equity</b>	<b>187,235</b>	<b>-</b>
	<b>Total liabilities and fund balances</b>	<b>\$ 193,825</b>	<b>-</b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
FINANCIAL DATA SCHEDULE (CONTINUED)  
Year Ended June 30, 2010

HUD Line Item #	Account Description	Section 8 Rental Voucher Program 14.871	Shelter Plus Care 14.238
REVENUES			
706	HUD PHA operating grants	\$ 703,056	159,762
708	Other Government grants	-	-
711	Investment income - Unrestricted	-	-
714	Fraud recovery	-	-
715	Other revenue	398,332	-
	<b>Total revenues</b>	<b>1,101,388</b>	<b>159,762</b>
EXPENDITURES			
Current			
911	Administrative salaries	91,905	9,904
912	Auditing fees	6,000	-
915	Employee benefit contribution - administrative	44,243	-
916	Other operating - administrative	-	2,608
962	Other general expenses	544,879	-
973	Housing assistance payments	465,980	147,250
	<b>Total expenditures</b>	<b>1,153,007</b>	<b>159,762</b>
	<b>Revenues under expenditures</b>	<b>(51,619)</b>	<b>-</b>
	Fund balances, beginning of year	238,854	-
	<b>Fund balances, end of year</b>	<b>\$ 187,235</b>	<b>-</b>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Identification Number	Federal Expenditures
<b>Direct Programs</b>			
U.S. Department of Housing and Urban Development Section 8 Rental Voucher Program	14.871		\$ 703,056
U.S. Department of Housing and Urban Development Shelter Plus Care	14.238		159,762
			<hr/>
<b>Total direct programs</b>			<u>862,818</u>
<b>Indirect Programs</b>			
Passed through NM Finance Authority Drinking Water State Revolving Loan	66.468		2,435,175
Passed through NM Environment Department Clean Water State Revolving Loan	66.458		1,464,490
Passed through Mortgage Finance Authority ARRA Funds - HPRP Program	14.257		154,463
Passed through NM Department of Finance and U.S. Department of Transportation			
Welfare to Work Grant	20.518	49 U.S.C 5309	51,975
Section 5311 Transportation Grant	20.509	49 U.S.C 5311	253,041
			<hr/>
<b>Total indirect programs</b>			<u>4,359,144</u>
<b>Total federal assistance</b>			<u><u>\$ 5,221,962</u></u>

**STATE OF NEW MEXICO  
 VILLAGE OF LOS LUNAS  
 NOTES TO THE SCHEDULE OF  
 EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2010**

**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. LOANS**

The Village had the following loans as of June 30, 2010:

	Current Year Expenditures	Balance at Year-End
Drinking Water State Revolving Loan 66.468	\$ 2,435,175	6,378,227
Clean Water State Revolving Loan 66.458	1,464,490	18,551,856

The above represents the total amounts for these loans. The federal portion of the loans outstanding cannot be determined by the Village as the loans are passed through the New Mexico Finance Authority.

**Report of Independent Auditors 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, 2010, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 28, 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

Management of the Village is responsible for establishing and maintaining effective 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting that we consider to be material weakness and others that we consider to be significant deficiencies.

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

*A deficiency in internal control exists* when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as items 08-01, 10-01 and 10-07.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as items 09-01, 10-02 and 10-03.

#### 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 tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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



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

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  
November 28, 2011

**Report of Independent Auditors on Compliance With Requirements That Could Have a Direct and Material Effect 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 Village of Los Lunas (Village's) the compliance of with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 10-04, 10-05 and 10-06.

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

### Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-4, 10-5, and 10-6. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

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  
November 28, 2011

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2010**

**STATUS OF PRIOR YEAR AUDIT FINDINGS**

08-01 Segregation of Duties	Repeated and Revised
08-02 Timely Deposits	Cleared
08-08 Budget Overage	Cleared
09-01 Inability to Prepare GAAP-based Financial Statements	Repeated and Revised
09-02 Income Verification	Cleared
09-03 Reporting	Cleared
09-04 Cash Management	Cleared
09-05 Late Audit Report	Repeated and Revised
09-06 Municipal Solid Waste Landfill Liability	Cleared

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**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 8 Rental Voucher Program
66.468	Drinking Water State Revolving Loan
66.458	Clean Water State Revolving Loan

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, 2010**

**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 both update master data (ability to change pay rates, add employees, etc.) and process payroll. Further, there is not a secondary level of review prior to payroll being disbursed.
- Cash disbursements – The same employee can create a purchase order, process, print electronically signed checks, update vendors' master data 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 fraud in the disbursement process.
- Lack of segregation poses the risk of errors and misappropriation of cash.

**Recommendation:** We recommend the following:

- Payroll – a review of payroll register should be done by someone other than the payroll clerk, especially changes in the master data before checks are mailed or direct deposit is completed. The Village may also consider having someone other than payroll clerk update the payroll master data.
- Cash disbursement – update of master data and generation of purchase order should be done by someone other than the AP clerk and be restricted in the system. Aside from the review of check run, checks together with their backups (purchase order, invoices, etc) need to be reviewed before releasing to the vendors. Update of master data needs to be authorized by the Finance Officer.
- Cash receipts – deposit of collections needs to be assigned to someone other than the cashiers.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**08-01 Segregation of Duties (Continued)**

**Management Response:**

Management agrees with auditor's recommendations and plans to immediately put into practice the following changes in our accounting department:

**Payroll:** The Village has hired a Human Resources Manager who be reviewing and entering the pay rates. The HR Manager will also review the payroll register and approve before payroll is processed. Currently, the Finance Officer review the direct deposit report that is generated for payroll and checked for variances in amounts before it is sent to the bank and processed. The Finance Officer sends the file to the bank for ACH processing, not the Payroll Clerk. This is a level of segregation for payroll.

**Accounts Payable:** The Receptionist for the Village handles and processes all request for purchase orders from various departments in our organization. The Accounts Payable Clerk only processes purchase orders in a back-up manner when our Receptionist is out of the office. To segregate duties we will have our Receptionist process purchase orders, we will have our Accounts Payable Clerk process all cash disbursements, we will have our Administrative Assistant process the checks and we will have the Receptionist separate and distribute the checks.

**Cash Receipts:** The Cashier/Billing Clerk positions will only take payments and will not be authorized to post cash receipting batches or make bank deposit tickets. The supervisor in the Water Department will process and batches and prepare the bank deposit slip, but will not process any cash receipting payments. The Finance Officer will reconcile the bank statement to make sure that all deposit slips are accounted for.



**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**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 has 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. The Finance Officer will also ensure that all note disclosures are prepared for the financial statements.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-01 Improve Controls Over Wire Transfers**

**Condition:** Our review wire transfer controls revealed that there are five employees who have the ability to do a wire transfer, authorization is only required if the amount is over \$500,000.

**Criteria:** Good internal control practice provides for that initiation and authorization of wire transfer be segregated. This will ensure that no funds can be transferred without any authorization.

**Cause:** The Village is not aware of the potential risk of fraud that may result due to the current practice.

**Effect:** The following are the effects of the current practice:

- The practice of one employee initiating and approving a wire transfer poses the risk of errors.
- Lack of second approval poses the risk of errors and misappropriation of cash.
- Errors can be made while processing wire transfers and may go undetected due to lack of review.

**Recommendation:** We recommend that all wire transfers need to be authorized by management or someone other than the initiator. The Village has work with its bank to have a system restriction imposed to segregate these functions.

**Management Response:** Management agrees with auditor's recommendation and has initiated a dual-control process over wire transfers for the Village. The Finance Officer will initiate the wire transfer and the Village Administrator will approve the wire transfer. Wire transfers will not be processed without the approval of these two positions. The Finance Officer will maintain documentation of all wire transfers that have been initiated and processed for the Village.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-02 Update of Payroll Master Data**

**Condition:** Our testing of selected payroll transactions noted one item wherein a pay increase was initiated in the payroll system however, the corresponding payroll change notice form was not completed.

**Criteria:** Good internal control provides that all changes in the payroll master data need to be supported by payroll change notice form, which is the authorization to make the changes.

**Cause:** The Village missed to complete the payroll change notice form for the selected transaction.

**Effect:** The pay increase was made without the necessary authorization and documentations.

**Recommendation:** We recommend that the Village consistently prepares the necessary forms to support all changes in the payroll master data.

**Management Response:** Management agrees with this audit finding. We have developed a new Payroll Change Form for all payroll changes including rate, position, classification, etc. This form is initiated by the supervisor and is to be signed by the employee, supervisor, department head and human resources. There will not be any changes made in the payroll master without this form and the appropriate signatures authorizing the change.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-03 Improve Controls Over IT General Controls**

**Condition:** Our review of controls over Information Technology General Controls revealed the following:

- Password is only required to be changed every 160 days and minimum password length of 6 characters.
- Users can be added deleted in the network and systems without supporting authorization form.
- There were 16 members in the domain admin group (including 8 service accounts), and that the use of the service accounts is not linked to any specific users.

**Criteria:** Good internal control provides that general controls over the Information Technology need to be sufficient and appropriate to provide a secure and reliable overall system infrastructure.

**Cause:** The Village is aware of these deficiencies and is continuing to improve its controls and processes.

**Effect:** The current set up increases risk of unauthorized changes/access to network systems, applications and data.

**Recommendation:** We recommend the following to strengthen security of overall IT infrastructure:

- Password policies in the domain need to reflect minimum length of 7 characters and that expiration date set to 60 to 90 days.
- A User Form needs to be developed and utilized for all users' changes in the system.
- A review of the current members of domain admin group should be completed to determine appropriateness of the access. In addition, a mechanism should be put in place to determine usage and activity of the service accounts.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-03 Improve Controls Over IT General Controls (Continued)**

**Management Response:** Management concurs with the recommendation of our auditor. The IT Manager will be making the necessary changes to ensure that users are added and deleted from the system with the appropriate action form. The IT Manager will also notify all employees of the new password requirements to ensure that there are appropriate controls in place to provide a secure and reliable system structure for the Village and its employees.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**B. FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**10-07 Unreported Federal Awards**

**Condition:** During our review of loan agreements for NMFA and NMED, we noted that the programs are 80% fund by EPA, but the amounts were not included in the Schedule of Expenditures of Federal Awards (SEFA). The expenditures not included in SEFA amounted to \$3.9 million for the year ended June 30, 2010.

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

**Effect:** The financial statements as of and for the year ended June 30, 2009 have to be reissued due to material misstatements in the SEFA. In addition, compliance testing for these programs was not made.

**Cause:** The Village is not aware that the loans provided by NMFA and NMED are 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, 2010**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**10-04 Annual Reexamination - Eligibility**

***Federal Program:***

U.S. Department of Housing and urban Development  
Section 8 Housing Choice Vouchers – CFDA 14.871  
Award Period, July 1, 2009 – June 30, 2010

***Condition:*** During our eligibility testwork, we noted an annual reexamination was not performed on one tenant.

***Criteria:*** The Section 8 Housing Choice Vouchers program requires an annual reexamination to be completed for every family receiving rental assistance.

***Effect:*** The tenant may no longer be eligible to receive assistance under this program.

***Cause:*** Management does not have controls in place to ensure tenants that were not reexamined are not receiving benefits.

***Questioned Costs:*** None

***Recommendation:*** A reconciliation between the Village and the Housing Department should be performed every month before payment is issued to verify all tenants are eligible for assistance.

***Management Response:*** Management agrees with auditor's recommendation.  
Note: Housing Authority was taken over by Socorro Housing Authority effective July 1, 2011.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**10-05 Overpayment of rent - Cash Management**

***Federal Program:***

U.S. Department of Housing and urban Development  
Section 8 Housing Choice Vouchers – CFDA 14.871  
Award Period, July 1, 2009 – June 30, 2010

***Condition:*** During our eligibility testing, we noted a double payment of prorated rent to one owner. The prorated payment was made in October, and the prorated amount was again included in the November payment.

***Criteria:*** The Section 8 Housing Choice Vouchers program requires an annual reexamination to be completed for every family receiving rental assistance.

***Effect:*** The Village has overpaid and is due a refund.

***Cause:*** Management does not have controls in place to ensure owners are not paid twice for prorated rents.

***Questioned Costs:*** None

***Recommendation:*** A reconciliation between the Village and the Housing Department should be performed every month before payment is issued to verify prorated amounts are only paid once.

***Management Response:*** Management agrees with auditor's recommendation. Note: Housing Authority was taken over by Socorro Housing Authority effective July 1, 2011.



**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

**C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**10-06 Submission of REAC - Reporting**

***Federal Program:***

U.S. Department of Housing and urban Development  
Section 8 Housing Choice Vouchers – CFDA 14.871  
Award Period, July 1, 2009 – June 30, 2010

***Condition:*** During our reporting testing, we noted the REAC was not submitted timely.

***Criteria:*** HUD regulations require that unaudited Financial Statements be submitted through REAC within 90 days from the end of the fiscal year.

***Effect:*** Noncompliance with HUD regulations and HUD did not have timely financial information to utilize.

***Cause:*** The accounting records were not complete and ready to be submitted within the required time.

***Questioned Costs:*** None

***Recommendation:*** Accounting records should be timely maintained, financial statements should be reviewed by management, and REAC submissions should be timely processed.

***Management Response:*** Management agrees with auditor's recommendation. Note: Housing Authority was taken over by Socorro Housing Authority effective July 1, 2011.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2010**

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

**09-05 Late Audit Report**

**Condition:** The Village submitted its financial statements beyond the due date of December 1, 2010. The Office of the State Auditor received the audit report in December 2011.

**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. In addition, subsequent discovery of federal awards not included in the SEFA required testing of two additional major programs.

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

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

**Management Response:** Management will work with auditor to ensure that all deadlines are met and that we are compliant with the due date for the State Auditor.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
EXIT CONFERENCE  
Year Ended June 30, 2010**

The contents of this report were discussed in the exit conference held 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:**

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.