



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

FINANCIAL STATEMENTS

JUNE 30, 2011

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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

Official Roster

June 30, 2011

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, 2011, 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, the agency funds, and the budgetary comparisons for the 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, 2011, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, each major fund, and the aggregate remaining fund information of the Village as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof 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 respective financial position of each non-major fund and agency funds of the Village, as of June 30, 2011, 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 general fund, major special revenue fund, the non-major governmental funds and the major enterprise funds for the year ended June 30, 2011 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 July 31, 2012 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 required 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 of the Village. 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 supplemental schedules in the table of contents 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
July 31, 2012

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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 \$50,003,742 for fiscal year 2011.
- The Village's governmental program revenues were \$5,011,793 for fiscal year 2011.
- The total cost of all Village governmental programs was \$18,730,207.

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, 2011**

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 16 of this report.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

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, 2011**

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, 2011.

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	14,028,739	13,383,868	6,511,351	6,541,385	20,540,090	19,925,253
Capital and non-current assets	47,750,391	48,426,530	61,092,044	62,055,885	108,842,435	110,482,415
Total assets	61,779,130	61,810,398	67,603,395	68,597,270	129,382,525	130,407,668
Current liabilities	1,725,595	1,873,927	4,949,208	3,530,013	6,674,803	5,403,940
Long-term liabilities	10,049,793	10,088,152	26,156,353	27,818,323	36,206,146	37,906,475
Total liabilities	11,775,388	11,962,079	31,105,561	31,348,336	42,880,949	43,310,415
Net Assets:						
Invested in capital assets, net of related debt and unspent bond proceeds	38,151,118	38,677,275	35,845,129	35,125,376	73,996,247	73,802,651
Restricted	2,572,551	1,417,066	-	-	2,572,551	1,417,066
Unrestricted	9,280,073	9,753,978	652,705	2,123,558	9,932,778	11,877,536
Total net assets	50,003,742	49,848,319	36,497,834	37,248,934	86,501,576	87,097,253
Total liabilities and net assets	61,779,130	61,810,398	67,603,395	68,597,270	129,382,525	130,407,668

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

Financial Analysis of the Village as a Whole (Continued)

For the fiscal year ending June 30, 2011, the Village had \$47,750,391 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and water sewer lines. This amount represents a slight decrease from prior year. In fiscal year 2011, the Village disposed of obsolete and worn-out inventory. Capital assets (net of accumulated depreciation) make up approximately 80% of the Village's total assets from governmental activities. The Village utilized these assets to provide services to its citizens; therefore, these assets are not available for future spending.

In fiscal year 2011, the net assets from the Village's governmental funds decreased by .05% from the prior fiscal year. The primary reason for the decrease in net assets is due to the deletion of obsolete and worn-out equipment. The Village's gross receipts tax and property taxes had a 1% decrease over last year's reported revenue. This decrease represents slow economic conditions in our community.

For fiscal year 2011, there is \$2,206,639 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 2011, the net assets of our business-type activities decreased 2% over the prior fiscal year. This decrease is due to capital assets that were deleted from the Village's inventory for fiscal year 2011. Even with the reduction in capital assets, 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, and refuse services.

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

Debt

At year end, the Village had approximately \$9,599,273 in bonds, notes and capital leases outstanding for governmental activities.

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

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

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

Financial Analysis of the Village as a Whole (Continued)

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

There was not any new debt issued for fiscal year 2011 for governmental activities. For business-related activities, there was not any new debt issued; however, the first payment on the Arsenic project was due to NMFA in the amount of \$252,735. Next year, the Village will begin making payments on the WWTP Expansion Construction loan with NMED. The annual payment amount will be \$1,070,441.

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, 2011**

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 2011.

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	2,127,288	1,561,700	8,063,076	8,715,340	10,190,364	10,277,040
Operating grants & contributions	2,884,505	5,061,656	-	-	2,884,505	5,061,656
Capital grants & contributions	-	-	-	-	-	-
General revenues:						
Property taxes	2,194,221	2,149,758	-	-	2,194,221	2,149,758
Other taxes	11,027,475	11,204,910	-	-	11,027,475	11,204,910
Miscellaneous interest & other revenues	564,112	222,242	384,019	554,693	948,131	776,935
	16,978	44,241	(305,513)	(240,787)	(288,535)	(196,546)
Total revenues	18,814,579	20,244,507	8,141,582	9,029,246	26,956,161	29,273,753
Expenses:						
General government	4,817,872	3,585,585	-	-	4,817,872	3,585,585
Public safety	5,974,741	5,824,286	-	-	5,974,741	5,824,286
Highways & streets	3,567,396	3,522,262	-	-	3,567,396	3,522,262
Culture & recreation	2,804,839	2,813,614	-	-	2,804,839	2,813,614
Health & welfare	1,250,126	1,327,372	-	-	1,250,126	1,327,372
Interest on long-term debt	315,233	334,057	-	-	315,233	334,057
Water/sewer	-	-	6,753,614	5,127,532	6,753,614	5,127,532
Solid waste	-	-	2,025,551	1,964,065	2,025,551	1,964,065
Transportation	-	-	42,469	747,799	42,469	747,799
Total expenses	18,730,207	17,407,176	8,821,634	7,839,396	27,551,841	25,246,572
Net revenues (loss) before Transfers	84,372	2,837,331	(680,052)	1,189,850	(595,680)	4,027,181
Transfers	-	-	-	-	-	-
Transfers	71,048	(239,364)	(71,048)	164,666	-	(74,698)
Disposition of capital asset	-	(273,253)	-	-	-	(273,253)
Increase in net assets	155,420	2,324,714	(751,100)	1,354,516	(595,680)	3,679,230
Net assets, beginning of year	49,848,319	47,523,605	37,248,934	35,894,418	87,097,253	83,418,023
Net assets, end of year	50,003,739	49,848,319	36,497,834	37,248,934	86,501,573	87,097,253

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

Financial Analysis of the Village's Funds

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

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

Budget

For the General Fund Budget, total revenues budgeted were \$18,648,178 and actual revenues received were \$18,856,489 which is a positive variance of approximately \$208,311. In addition, the total General Fund expense budget was \$18,355,709 and actual expenditures were \$14,957,533, which is a positive variance of approximately \$3,398,176.

There were no significant differences between the original and final budgeted revenue amounts for the General Fund. The expenditures increased by approximately \$115,269 from the original to the final budget, due mainly to projected increases in public safety and culture and recreation. The Water/Sewer Fund revenues increased by \$606,371 from the original to the final budget, due to the connection of the NM Corrections Department to the Village's water and sewer system.

Progress Highlights for Fiscal Year 2011

- 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 InstallationOnly the South Loop Extension remains
- Finished construction on the \$6,060,000 Arsenic Project
- Finished construction on the WWTP Expansion Project. The total cost of Project was \$16,777,380

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

- Hired 2 “certified” police officers
- The Police Department received accreditation by the New Mexico League, which lowers the Law Enforcement liability insurance. In addition, the accreditation establishes that the department has standard operating procedures that are recognized by the State of New Mexico.
- Purchased a 2012 Fire Truck
- Purchased land for the Transportation Project Phase II
- Completed HWY-COP project on Calle De Las Familias; Carson Drive Improvements, and NM 6 Intersection Road Improvements.
- Completed construction project of a west side park for the Huning Ranch Subdivision
- Continued construction on two ARRA projects with NMDOT

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 2012 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 Village’s newest economic development efforts will revolve around the 1,000 acre annexation on the west side of Los Lunas. The Village is in the process of constructing trails and rest areas for this site. Fiscal Year 2011-2012 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. The Village’s Economic Development Manager is actively pursuing every economic development opportunity possible.
2. Continuing to work with an Economic Development Specialist to assist in attracting both industrial development and retail trade has become critical in light of Merrilat idling production beginning August 2011.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2011**

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 2011-2012, 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.
3. Continue the implementation of a salary plan based on a policy that the Village will pay employees at 100% of the prevailing rates paid for similar occupations by the public and private employers with whom we compete for high quality staff, if financially able, based on the non-weighted average rates of designated comparator employers.

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, Lowe's and two Walgreens.

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, 2011**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 8,952,140	4,875,272	13,827,412
Restricted cash	1,089,766	189,020	1,278,786
Investments	460,184	440,000	900,184
Receivables	2,462,456	2,028,103	4,490,559
Internal balances	1,064,193	(1,064,193)	-
Inventories	-	43,149	43,149
Total current assets	14,028,739	6,511,351	20,540,090
Noncurrent Assets			
Capital assets	91,663,572	84,826,444	176,490,016
Less accumulated depreciation	(43,913,181)	(23,734,400)	(67,647,581)
Total noncurrent assets	47,750,391	61,092,044	108,842,435
Total assets	\$ 61,779,130	67,603,395	129,382,525
LIABILITIES			
Accounts payable	\$ 156,868	967,821	1,124,689
Accrued payroll expenses	162,294	64,806	227,100
Customer deposits	-	229,020	229,020
Interest payable	-	1,308,283	1,308,283
Long-term liabilities			
Due within one year			
Bonds, notes, capital leases and compensated absences	1,406,433	2,379,278	3,785,711
Due in more than one year			
Bonds, notes and capital leases	8,493,037	25,269,187	33,762,224
Compensated absences	33,356	5,374	38,730
Post-closure landfill costs	-	881,792	881,792
Net other postemployment benefits obligation	1,523,400	-	1,523,400
Total liabilities	11,775,388	31,105,561	42,880,949
NET ASSETS			
Invested in capital assets, net of related debt	38,151,118	35,845,129	73,996,247
Restricted for			
Capital projects	365,912	-	365,912
Debt service	2,206,639	-	2,206,639
Unrestricted (deficit)	9,280,073	652,705	9,932,778
Total net assets	50,003,742	36,497,834	86,501,576
Total net assets and liabilities	\$ 61,779,130	67,603,395	129,382,525

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government			
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General government	\$ 4,817,872	1,943,368	762,407	-	(2,112,097)	-	-	(2,112,097)
Public safety	5,974,741	46,405	171,338	-	(5,756,998)	-	-	(5,756,998)
Public works	3,567,396	-	185,298	-	(3,382,098)	-	-	(3,382,098)
Health, welfare and sanitation	1,250,126	22,445	1,765,462	-	537,781	-	-	537,781
Culture and recreation	2,804,839	115,070	-	-	(2,689,769)	-	-	(2,689,769)
Interest on long-term debt	315,233	-	-	-	(315,233)	-	-	(315,233)
Total governmental activities	18,730,207	2,127,288	2,884,505	-	(13,718,414)	-	-	(13,718,414)
Business-Type Activities								
Water sewer	6,753,614	5,979,060	-	-	-	(774,554)	-	(774,554)
Solid waste	2,025,551	2,032,376	-	-	-	6,825	-	6,825
Transportation	42,469	51,640	-	-	-	9,171	-	9,171
Total business-type activities	8,821,634	8,063,076	-	-	-	(758,558)	-	(758,558)
Total primary government	\$ 27,551,841	10,190,364	2,884,505	-	(13,718,414)	(758,558)	-	(14,476,972)
General Revenues								
Taxes								
Property taxes, levied for general purposes					2,194,221	-	-	2,194,221
Franchise tax					338,419	-	-	338,419
Sales tax					10,076,539	-	-	10,076,539
Other taxes					612,517	-	-	612,517
Disposition of capital assets					-	-	-	-
Unrestricted investment earnings (loss)					16,978	(305,513)	-	(288,535)
Miscellaneous					564,112	384,019	-	948,131
Transfers					71,048	(71,048)	-	-
Total general revenues, special items, and transfers					13,873,834	7,458	-	13,881,292
Change in net assets					155,420	(751,100)	-	(595,680)
Net assets, beginning					49,848,319	37,248,934	-	87,097,253
Net assets, ending					\$ 50,003,739	36,497,834	-	86,501,573

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,972,895	1,517,929	1,461,316	8,952,140
Restricted cash	1,089,766	-	-	1,089,766
Investments	460,184	-	-	460,184
Due from other funds	1,064,193	-	-	1,064,193
Receivable from other governments	2,066,378	346,606	1,033	2,414,017
Other receivables	-	-	48,439	48,439
Total assets	\$ 10,653,416	1,864,535	1,510,788	14,028,739
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 140,761	-	16,107	156,868
Accrued payroll expenses	150,398	-	11,896	162,294
Total liabilities	291,159	-	28,003	319,162
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	1,089,766	-	1,116,873	2,206,639
Committed	-	-	365,912	365,912
Assigned	-	1,864,535	-	1,864,535
Unassigned	9,272,491	-	-	9,272,491
Total fund balances	10,362,257	1,864,535	1,482,785	13,709,577
Total liabilities and fund balances	\$ 10,653,416	1,864,535	1,510,788	14,028,739

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, 2011**

Total Fund Balance - Governmental Funds	
Governmental Funds Balance Sheet	<u>\$ 13,709,577</u>

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	91,663,572
Accumulated depreciation	<u>(43,913,181)</u>
Total capital assets	<u>47,750,391</u>

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

Long-term and other liabilities at year end consist of

Debt (bonds, notes and capital leases)	(9,599,273)
Compensated absences payable	<u>(333,553)</u>
Total long-term and other liabilities	<u>(9,932,826)</u>

The liability recorded for the year ended June 30, 2011 related to postemployment benefits obligation is:	<u>(1,523,400)</u>
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Net assets of governmental activities (Statement of Net Assets)	<u><u>\$ 50,003,742</u></u>
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See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Sales and miscellaneous taxes	\$ 10,911,460	1,817,595	492,641	13,221,696
Fees and fines	105,805	-	-	105,805
Licenses and permits	450,277	-	-	450,277
Intergovernmental	1,518,000	185,298	1,936,800	3,640,098
Charges for services	1,387,286	-	183,920	1,571,206
Investment earnings	14,146	1,491	1,341	16,978
Miscellaneous	555,622	-	8,490	564,112
Total revenues	14,942,596	2,004,384	2,623,192	19,570,172
Expenditures				
Current				
General government	3,133,133	-	117,347	3,250,480
Public safety	5,081,295	-	621,415	5,702,710
Public works	732,331	-	42,160	774,491
Health and sanitation	-	-	1,232,249	1,232,249
Culture and recreation	2,266,960	-	89,613	2,356,573
Debt Service				
Principal	16,027	-	889,547	905,574
Interest and other charges	-	-	315,233	315,233
Capital outlay	3,727,787	382,986	24,612	4,135,385
Total expenditures	14,957,533	382,986	3,332,176	18,672,695
Excess (deficiency) of revenues over (under) expenditures	(14,937)	1,621,398	(708,984)	897,477
Other Financing Sources (Uses)				
Transfers in	139,477	-	1,006,385	1,145,862
Transfers out	(377,163)	(629,222)	(68,429)	(1,074,814)
Total other financing sources (uses)	(237,686)	(629,222)	937,956	71,048
Net change in fund balances	(252,623)	992,176	228,972	968,525
Fund balances, beginning of year	10,614,880	872,359	1,253,813	12,741,052
Fund balances, end of year	\$ 10,362,257	1,864,535	1,482,785	13,709,577

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, 2011

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

\$ 968,525

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

18,094

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

905,574
(755,593)

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, 2010
June 30, 2011 is:

(305,039)

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

Capital outlay
Depreciation expense

3,443,775
(4,119,916)

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

(676,141)

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

\$ 155,420

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, 2011

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,871,021	10,871,021	12,853,806	1,982,785
Licenses and permits	164,912	164,912	450,277	285,365
Intergovernmental	5,331,909	5,331,909	3,186,780	(2,145,129)
Governmental Grants	45,242	45,242	9,000	(36,242)
Charges for services	1,316,799	1,316,799	1,387,286	70,487
Fines and forfeitures	114,496	114,496	105,805	(8,691)
Miscellaneous	669,045	761,440	849,389	87,949
Interest	42,359	42,359	14,146	(28,213)
Total revenues	18,555,783	18,648,178	18,856,489	208,311
Expenditures				
General government	3,942,721	3,986,721	3,881,491	105,230
Public safety	5,483,854	5,552,488	5,081,295	471,193
Highways and streets	5,975,242	5,975,242	3,727,787	2,247,455
Culture and recreation	2,838,623	2,841,258	2,266,960	574,298
Health and welfare	-	-	-	-
Total expenditures	18,240,440	18,355,709	14,957,533	3,398,176
Other Financing Sources				
Operating transfers in (out)	(445,452)	(445,452)	(529,589)	(84,137)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (130,109)	(152,983)	3,369,367	3,522,350
Changes in accounts receivable			(3,836,289)	
Changes in accounts payable			24,613	
Changes in accrued liabilities			189,686	
GAAP change in fund balance			\$ (252,623)	

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, 2011

	Infrastructure Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,779,813	1,779,813	2,227,676	447,863
Interest	1,116	1,116	1,493	377
Intergovernmental	128,536	204,826	185,298	(19,528)
Miscellaneous	-	-	-	-
	<u>1,909,465</u>	<u>1,985,755</u>	<u>2,414,467</u>	<u>428,712</u>
Expenditures				
General government	-	-	-	-
Highways and streets	-	-	-	-
Capital outlay	521,048	521,048	382,986	138,062
	<u>521,048</u>	<u>521,048</u>	<u>382,986</u>	<u>138,062</u>
Other Financing Sources				
Operating transfers in (out)	(637,005)	(637,005)	(629,222)	7,783
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 751,412</u>	<u>827,702</u>	<u>1,402,259</u>	<u>574,557</u>
Changes in accounts receivable			<u>(410,083)</u>	
GAAP change in fund balance			<u>\$ 992,176</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2011

	Enterprise Funds			Total
	Water Sewer Fund	Solid Waste Fund	Transportation Fund	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,675,226	2,012,220	187,826	4,875,272
Restricted cash	189,020	-	-	189,020
Investments	240,000	200,000	-	440,000
Accounts receivable	1,397,817	594,716	35,570	2,028,103
Inventories	43,149	-	-	43,149
Total current assets	4,545,212	2,806,936	223,396	7,575,544
Noncurrent Assets				
Capital assets	80,565,959	3,849,714	410,771	84,826,444
Less accumulated depreciation	(20,559,622)	(2,890,336)	(284,442)	(23,734,400)
Total noncurrent assets	60,006,337	959,378	126,329	61,092,044
Total assets	\$ 64,551,549	3,766,314	349,725	68,667,588
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 231,841	732,249	3,731	967,821
Salaries payable	35,042	27,149	2,615	64,806
Customer deposits	229,020	-	-	229,020
Interest payable	1,308,283	-	-	1,308,283
Due from other funds	1,064,193	-	-	1,064,193
Current portion of debt	2,273,424	105,854	-	2,379,278
Total current liabilities	5,141,803	865,252	6,346	6,013,401
Non-Current Liabilities				
Compensated absences	2,475	2,899	-	5,374
Capital lease obligation	128,220	36,699	-	164,919
Post-closure landfill costs	-	881,792	-	881,792
Bonds, notes and loans payable	25,104,268	-	-	25,104,268
Total non-current liabilities	25,234,963	921,390	-	26,156,353
NET ASSETS				
Invested in capital assets, net of related debt	34,796,121	922,679	126,329	35,845,129
Unrestricted	(621,338)	1,056,993	217,050	652,705
Total net assets	34,174,783	1,979,672	343,379	36,497,834
Total liabilities and net assets	\$ 64,551,549	3,766,314	349,725	68,667,588

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, 2011

	Enterprise Funds			Total
	Water Sewer Fund	Solid Waste Fund	Transportation Fund	
Revenues				
Charges for services	\$ 5,979,060	2,032,376	51,640	8,063,076
Miscellaneous	-	381,866	2,153	384,019
Total operating revenues	5,979,060	2,414,242	53,793	8,447,095
Operating Expenses				
Personal services	928,881	782,586	-	1,711,467
Non-payroll expenses	3,860,544	1,112,890	-	4,973,434
Depreciation	1,964,189	130,075	42,469	2,136,733
Total operating expenses	6,753,614	2,025,551	42,469	8,821,634
Operation income (loss)	(774,554)	388,691	11,324	(374,539)
Non-Operating Revenues (Expenses)				
Interest and investment revenue	1,681	714	-	2,395
Interest expense	(300,373)	(7,535)	-	(307,908)
Total non-operating revenue (expenses)	(298,692)	(6,821)	-	(305,513)
Income (loss) before contributions and transfers	(1,073,246)	381,870	11,324	(680,052)
Transfers				
Transfers in	60,610	-	-	60,610
Transfers out	(117,290)	(14,368)	-	(131,658)
Change in net assets	(1,129,926)	367,502	11,324	(751,100)
Net assets, beginning of year	35,304,709	1,612,170	332,055	37,248,934
Net assets, end of year	\$ 34,174,783	1,979,672	343,379	36,497,834

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2011

	Water Sewer Fund	Solid Waste Fund	Transportation Fund	Total
Cash Flows From Operating Activities				
Cash received from customers and others	\$ 6,028,718	2,323,715	65,796	8,418,229
Cash paid for goods and services	(3,274,915)	(984,336)	(14,939)	(4,274,190)
Cash paid to employees	(950,728)	(776,373)	13,143	(1,713,958)
Other expenses	21,744	2,093	-	23,837
Net cash provided (used) by operating activities	1,824,819	565,099	64,000	2,453,918
Cash Flows From Non-Capital Financing Activities				
Operating transfers, net	(56,680)	(14,368)	-	(71,048)
Cash Flows From Capital and Related Financing Activities				
Purchases of capital assets	(1,064,233)	(130,403)	-	(1,194,636)
Debt proceeds	44,895	-	-	44,895
Debt payment	(930,087)	(101,129)	-	(1,031,216)
Interest paid	(300,373)	(7,535)	-	(307,908)
Net cash used by capital and related financing activities	(2,249,798)	(239,067)	-	(2,488,865)
Cash Flows From Investing Activities				
Interest received	1,681	714	-	2,395
Net cash provided by investing activities	1,681	714	-	2,395
Net increase in cash and cash equivalents	(479,978)	312,378	64,000	(103,600)
Cash and restricted cash and cash equivalents, beginning of year	3,344,224	1,699,842	123,826	5,167,892
Cash and restricted cash and cash equivalents, end of year	\$ 2,864,246	2,012,220	187,826	5,064,292
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ (774,554)	388,691	11,324	(374,539)
Noncash items				
Disposition of capital asset	21,744	-	-	21,744
Adjustments to operating income				
Depreciation expense	1,964,189	130,075	42,469	2,136,733
Accounts receivable	40,568	(90,527)	35,821	(14,138)
Due from other funds	(53,972)	-	-	(53,972)
Inventory	(5,456)	-	-	(5,456)
Accounts payable	53,134	128,554	(1,601)	180,087
Meter deposit	9,090	-	-	9,090
Accrued liabilities	591,923	1,113	(13,338)	579,698
Compensated absences	(21,847)	5,100	(10,675)	(27,422)
Post closure landfill liability	-	2,093	-	2,093
Net cash provided by operating activities	\$ 1,824,819	565,099	64,000	2,453,918

Schedule of Noncash Capital and Related Financing Activities

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, 2011**

ASSETS

Cash and cash equivalents	\$	<u>1,578,752</u>
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Total assets	\$	<u><u>1,578,752</u></u>
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LIABILITIES

Due to others	\$	<u>1,578,752</u>
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Total liabilities	\$	<u><u>1,578,752</u></u>
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See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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

The financial statements of the funds 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 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.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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
June 30, 2011**

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
June 30, 2011

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 – The Infrastructure Fund is funded primarily from Village imposed gross receipts taxes. The Village has imposed a 1/4% Special Municipal Gross Receipts Tax and 1/4% Municipal Infrastructure Gross Receipts Tax and dedicated them to this fund. [Note: 1/8 was added by special election during fiscal year 2001. It became effective on 1/1/2002.] The Village Council approved the change in the dedication of 1/16th of 1 percent to provide for property acquisition. State Highway Cooperative funding is also utilized in this 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, and Lodgers Tax.

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.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Fund Accounting (Continued)

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, and Municipal Court Bond.

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 measureable 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).

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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, 2011 was \$623,144.

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

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 2011 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.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information (Continued)

- After adoption of the budget resolution, the Village may make the following changes: a) transfer appropriated money between funds; b) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; c) approve emergency appropriations; and d) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2011 were collected in 2012, and taxes certified in 2012 will be collected in 2013. 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.

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.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Capital Assets (Continued)

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
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance

In the fund level financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for a specific future use. In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54), The Village of Los Lunas classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (The Village of Los Lunas City Council) and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the management.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2011, the Village had the following investments:

	<u>Fair Value</u>	<u>Weighted Maturity Average (Months)</u>
Certificates of deposit	\$ 900,184	10.0

B. Interest Rate Risk

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

C. Credit Risk

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

D. Concentration of Credit Risk

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

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 3. DEPOSITS AND INVESTMENTS

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.

A reconciliation of cash and investments for the Village is on pages 74 and 75.

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, 2011.

NOTE 4. RECEIVABLES

Receivables as of June 30, 2011 consisted of the following. All receivables as of June 30, 2011 were deemed to be fully collectible.

	General	Infrastructure Fund	Other Governmental Funds	Enterprise	Total
Receivables:					
Trade accounts	\$ -	-	-	2,028,103	2,028,103
Taxes	2,066,378	346,606	1,033	-	2,414,017
Other	-	-	48,439	-	48,439
Total receivables	<u>\$ 2,066,378</u>	<u>346,606</u>	<u>49,472</u>	<u>2,028,103</u>	<u>4,490,559</u>

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets follows:

Governmental Activities	Balance June 30, 2010	Additions	Transfers/ Deletions	Balance June 30, 2011
Capital assets not being depreciated				
Land	\$ 6,921,227	115,194	-	7,036,421
Construction in progress	1,511,969	2,530,304	(392,555)	3,649,718
	<u>8,433,196</u>	<u>2,645,498</u>	<u>-</u>	<u>10,686,139</u>
Total capital assets not being depreciated				
Capital assets being depreciated				
Buildings and improvements	15,619,140	132,244	279,494	16,030,878
Vehicles	3,923,364	166,197	237,285	4,251,555
Machinery and equipment	3,559,743	130,369	-	3,690,112
Capital leases	371,665	-	(217,375)	154,290
Infrastructure	56,368,068	369,468	113,061	56,850,598
	<u>79,841,980</u>	<u>789,278</u>	<u>337,174</u>	<u>80,977,433</u>
Total capital assets being depreciated				
<i>Total capital assets</i>	<u>88,275,176</u>	<u>3,443,776</u>	<u>(55,381)</u>	<u>91,663,572</u>
Less accumulated depreciation for				
Buildings and improvements	(5,482,274)	(843,525)	-	(6,325,799)
Vehicles	(3,131,343)	(265,413)	55,381	(3,341,375)
Machinery and equipment	(1,979,578)	(262,272)	-	(2,241,850)
Capital leases	(681,241)	(30,858)	-	(712,099)
Infrastructure	(28,574,210)	(2,717,848)	-	(31,292,058)
	<u>(39,848,646)</u>	<u>(4,119,916)</u>	<u>55,381</u>	<u>(43,913,181)</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>39,993,334</u>	<u>(3,321,638)</u>	<u>392,555</u>	<u>37,064,252</u>
Governmental activities				
Capital assets, net	<u>\$ 48,426,530</u>	<u>(676,140)</u>	<u>-</u>	<u>47,750,391</u>

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance June 30, 2010	Additions	Transfers/ Deletions	Balance June 30, 2011
Capital assets not being depreciated				
Land and improvements	\$ 1,218,899	-	-	1,218,899
Construction in progress	21,945,567	-	(21,151,586)	793,981
Water rights	3,455,834	-	(21,745)	3,434,089
	<hr/>			<hr/>
Total capital assets not being depreciated	26,620,300	-	(21,173,331)	5,446,969
Capital assets being depreciated				
Buildings and improvements	979,211	533,884	16,777,380	18,290,475
Vehicles	3,599,357	149,683	823,699	3,854,753
Machinery and equipment	1,009,082	-	(863,468)	863,600
Water/sewer plant	51,485,371	440,255	4,374,207	56,299,833
Landfill Open/Close in Progress	-	70,814	-	70,814
	<hr/>			<hr/>
Total capital assets being depreciated	57,073,021	1,194,636	21,111,818	79,379,475
Total capital assets	<hr/>	<hr/>	<hr/>	<hr/>
	83,693,321	1,194,636	(61,513)	84,826,444
Less accumulated depreciation for				
Buildings and improvements	(328,745)	(285,320)	-	(614,065)
Vehicles	(3,194,594)	(117,018)	32,818	(3,278,794)
Machinery and equipment	(925,803)	(102,842)	6,951	(1,021,694)
Water/sewer plant	(17,188,294)	(1,631,553)	-	(18,819,847)
	<hr/>			<hr/>
Total accumulated depreciation	(21,637,436)	(2,136,733)	39,769	(23,734,400)
Total capital assets being depreciated, net	<hr/>	<hr/>	<hr/>	<hr/>
	34,435,585	(942,097)	21,151,587	(23,734,400)
Business-type activities				
Capital assets, net	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 62,055,885	(942,097)	(21,744)	61,092,044

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

Governmental activities	
General government	\$ 588,837
Public safety	272,031
Highways and streets	2,792,905
Culture and recreation	448,266
Health and welfare	17,877
	<hr/>
	\$ 4,119,916

STATE OF NEW MEXICO
 VILLAGE OF LOS LUNAS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE 5. CAPITAL ASSETS (CONTINUED)

Business-type activities	
Water/sewer	\$ 1,964,189
Solid waste	130,075
Transportation	<u>42,469</u>
Total depreciation expense	<u>\$ 2,136,733</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
2012	\$ 43,000	19,190
2013	45,000	17,148
2014	47,000	15,010
2015	49,000	12,778
2016	52,000	10,450
2017 – 2019	<u>168,000</u>	<u>16,102</u>
Total	<u>\$ 404,000</u>	<u>90,678</u>

Gross Receipts Tax Revenue Bonds - Government

	Principal	Interest
2012	\$ 725,000	227,625
2013	650,000	198,625
2014	675,000	175,225
2015	700,000	150,250
2016	725,000	123,650
2017 – 2019	<u>2,325,000</u>	<u>194,350</u>
Total	<u>\$ 5,800,000</u>	<u>1,069,725</u>

STATE OF NEW MEXICO
 VILLAGE OF LOS LUNAS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE 6. LONG-TERM DEBT (CONTINUED)

Government Notes Payable

	Principal	Interest
2012	\$ 267,314	81,804
2013	274,106	74,576
2014	256,486	67,024
2015	262,952	59,971
2016	239,578	52,641
2017 - 2021	824,034	168,204
2022 - 2026	865,171	72,370
2027	<u>370,778</u>	<u>3,744</u>
Total	<u>\$ 3,360,419</u>	<u>580,334</u>

Enterprise Notes Payable

	Principal	Interest
2012	\$ 1,433,385	684,198
2013	1,469,860	648,189
2014	1,485,862	611,217
2015	1,523,654	573,900
2016	1,562,452	535,586
2017 - 2021	7,375,529	2,083,515
2022 - 2026	6,383,991	1,188,217
2027 - 2031	<u>4,941,920</u>	<u>355,808</u>
Total	<u>\$ 26,176,653</u>	<u>6,680,630</u>

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 6. LONG-TERM DEBT (CONTINUED)

The changes to long-term debt are as follows:

	Interest Rate	Balance June 30, 2010	Increase	(Decrease)	Balance June 30, 2011	Amounts Due Within One Year
Business-type activities:						
Water and sewer fund						
Wastewater facility construction loan	2.00%	\$ 2,428,892	-	(282,989)	2,145,903	288,641
Valencia waterline loan (89-17)	3.00%	60,631	-	(19,616)	41,015	20,204
Drinking water state revolving loan	2.54%	2,354,427	-	(189,228)	2,165,199	194,442
Clean water state revolving loan	2.00%	2,671,294	-	(143,315)	2,527,979	146,181
Clean water state revolving loan 2008	3.00%	15,880,562	44,895	-	15,925,457	1,203,135
Joint water & sewer system revenue bond	4.75%	445,000	-	(41,000)	404,000	43,000
NMFA drinking water loan	2.00%	4,023,800	-	(60,023)	3,963,777	173,459
Equipment lease	Various	504,226	-	(193,916)	310,310	182,090
Compensated absences		46,594	31,139	(52,986)	24,747	22,272
Total water and sewer fund		28,415,426	76,034	(983,073)	27,508,387	2,273,424
Solid Waste Fund						
Equipment lease	Various	217,597	-	(101,129)	116,468	79,769
Compensated absences		23,884	30,721	(25,621)	28,984	26,085
Total solid waste fund		241,481	30,721	(126,750)	145,452	105,854
Transportation Fund						
Compensated absences		10,675	-	(10,675)	-	-
Total business-type activities		\$ 28,667,582	106,755	(1,120,498)	27,653,839	2,379,278
Governmental Activities						
2003-A gross receipts tax	4.20%	\$ 5,175,000	-	(100,000)	5,075,000	-
2003-B gross receipts tax	4.00%	1,265,000	-	(540,000)	725,000	725,000
PPRF disadvantaged program loan	2.90%	72,805	-	(72,805)	-	-
NMED loan	2.00%	2,729,302	-	(136,383)	2,592,919	139,110
USDA loan	4.38%	250,407	349,593	-	600,000	153,000
NMFA Police Vehicles	1.78%	144,597	-	(26,330)	118,267	28,900
NMFA Fire Truck	3.01%	-	406,000	-	406,000	28,500
Equipment lease	Various	112,144	-	(30,057)	82,087	31,726
Compensated absences		351,647	306,148	(324,242)	333,553	300,197
Total governmental activities		10,100,902	1,061,741	(1,229,817)	9,932,826	1,406,433
Grand total long-term debt		\$ 38,768,484	1,168,496	(2,350,315)	37,586,665	3,785,711

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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
2012	\$ 35,424	284,977
2013	35,424	149,720
2014	<u>17,149</u>	<u>7,802</u>
Total lease payments	87,997	442,499
Less interest	<u>(5,910)</u>	<u>(15,721)</u>
Total	<u>\$ 82,087</u>	<u>426,778</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 benefits and debt service liabilities. 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
June 30, 2011**

NOTE 7. OPERATING TRANSFERS (CONTINUED)

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$ 139,477	377,163
Infrastructure Fund	-	629,222
LDWI Grant Fund	100,951	4,866
Housing	-	2,953
Street Fund	-	60,610
Debt Service Funds:		
Bond Acquisition		
2003 A GRT Revenue Fund	276,212	-
2003 B GRT Revenue Fund	629,222	-
Enterprise Funds:		
Water Sewer	60,610	117,290
Solid Waste	<u>-</u>	<u>14,368</u>
Total	<u>\$ 1,206,472</u>	<u>1,206,472</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
June 30, 2011**

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. There is a liability of \$881,792 reported in the Solid Waste Fund as an estimate of the landfill post-closure care costs. 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.

Funding Policy. Plan members are required to contribute from 13.15% to 16.30% (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 9.15% to 21.25% (depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Village of Los Lunas are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Village's contributions to PERA for the fiscal years ending June 30, 2011 and 2010 were \$683,000, and \$737,988, 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.

STATE OF NEW MEXICO
 VILLAGE OF LOS LUNAS
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN

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

Funding Policy. The contribution requirements of plan members and the Village are established and may be amended. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. For fiscal year 2011, the Village contributed \$253,629 to the Plan. Plan members receiving benefits contributed \$36,621 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>(290,250)</u>
Increase in net OPEB obligation	305,039
Net OPEB obligation, beginning of year	<u>1,218,361</u>
Net OPEB obligation, end of year	<u>\$ 1,523,400</u>

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$ 595,559	42.3%	\$ 878,361
6/30/10	595,559	42.9%	1,218,361
6/30/11	595,559	48.8%	1,523,400

Funded Status and Funding Progress. As of June 30, 2011, the unfunded actuarial accrued liability (UAAL) was estimated at \$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.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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. For a separate project, the Village approved to issue \$80,000,000 of taxable Industrial Revenue Bonds to provide financing acquisition, contraction and installation of an industrial revenue project in 2005. Neither the Village nor any political subdivision of the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

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

NOTE 13. TRANSFER OF HOUSING OPERATIONS

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.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NON-MAJOR FUNDS
Year Ended June 30, 2011**

Special Revenue Funds

Lodgers Tax Fund (16)

To utilize lodgers tax revenues collected from area lodging facilities for the purpose of advertising, publicizing and promoting tourist related attractions and events within the Village. The Village has created the Lodgers Tax Advisory Board to advise the governing body on ways to spend lodgers tax funds for advertising, publicizing and promoting tourist related attractions and events within the Village.

Municipal Street Improvement Fund (17)

Gasoline tax revenues are intended for construction, reconstruction, resurfacing or other improvement or maintenance of public roads and streets, including right-of-way materials acquisition. In addition, these revenues can be designated for projects subject to cooperative agreements entered into with the state highway and transportation department.

Fire Fund (21)

To provide fire protection and life safety for the Village of Los Lunas. The Los Lunas Fire Department is responsible for the preservation of human life due to fire or rescue services as needed. To make public aware of fire safety of all types and make available all fire prevention information. State fire money is generated through home owners insurance and the State of New Mexico.

Recreation Fund (22)

To provide recreation and entertainment to the citizens of Los Lunas and Valencia County and surrounding areas. This Department plans the annual holiday festivities for Christmas, the 4th of July, and the St. Patrick's Day Balloon Rally. Softball and basketball leagues are also planned throughout the year. Park improvements are also funded from this fund.

Police Program (23)

Envelopes the Community Orientated Policing Services Grant (COPS) and the Canine Program. Revenues are used to enhance our community policing programs and enhance public safety to our community by hiring personnel, purchasing equipment and perform public outreach.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NON-MAJOR FUNDS
Year Ended June 30, 2011**

Local Government Correction Fund (26)

Corrections fees are intended to off-set correction and detention costs per New Mexico Statutory requirements. A \$10.00 Correction fee is assessed for each criminal offense filed in Municipal Court. Correction fee revenues off-set the necessity for General Fund totally supporting the cost for care and housing of adults and juveniles.

Law Enforcement Protection Fund (27)

The New Mexico Enforcement Protection Fund (LEPF) is a legislative established fund that accumulates fees generated from insurance corporations in New Mexico and annually distributes the funds to New Mexico law enforcement agencies annually to assist in police equipment/training cost. LEPF funds as distributed under a formula for jurisdictional population and number of certified police officers in the law enforcement agency serving that jurisdiction.

Local DWI (36)

The Village of Los Lunas currently administers the DWI programs for Valencia County. Part of the funding for the program is a grant titled "Local Driving While Incapacitated" (LDWI). This program is administered through the Village's Community Services Program.

Emergency Medical Service Fund (39)

The professional staff of the Los Lunas Emergency Medical Services (EMS) is committed to delivering patient responsive emergency and non-emergency pre-hospital care to the citizens of Los Lunas and the surrounding communities through provision of a medically sophisticated advanced life support system. The principles determining the success of our mission include compassion, technical excellence combined operational and fiscal efficiency.

Section 8 Housing (51)

To provide housing assistance to low income and very-low income citizens throughout the community. Facilitate and coordinate with other agencies to provide social and supportive services as well. Through these collaborative efforts the Public Housing Authority has and will continue to provide job opportunities and economic support to the citizens of the Village of Los Lunas and Valencia County. Current programs available and funded by the Department of Housing and Urban Development (HUD) include: Housing Choice Voucher (HCV) Rental Assistance, HCV Homeownership, and Family Self Sufficiency (FSS) Program.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NON-MAJOR FUNDS
Year Ended June 30, 2011**

Debt Service Funds

Gross Receipt Tax Revenue Bond 2003A (32) and
Gross Receipt Tax Revenue Bond 2003B (34)

The Village of Los Lunas currently has two service bonds. The first issue is the "Gross Receipts Tax Improvement Revenue Bonds, Series 2003A" in the amount of \$5,175,000. The second issue is the "Gross Receipts Tax Refunding Revenue Bond, Series 2003B" in the amount of \$4,565,000.

The purpose of these issues was to defray the cost to 1) refund the Village's Gross Receipts Tax Refunding Revenue Bonds, Series 1993 and the Village's Infrastructure Fund Gross Receipts Tax Revenue Bonds, Series 1995, 2) acquire, extend, enlarge, better, repair, otherwise improve or maintain sanitary sewers, sewage treatment plants or water utilities, including but not necessarily limited to the acquisition of rights of way and water and water rights, or any combination of the foregoing, 3) construct, purchase, furnish, equip, rehabilitate, make additions to or make improvements to public buildings, 4) purchase, acquire, 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.

STATE OF NEW MEXICO
 VILLAGE OF LOS LUNAS
 COMBINING BALANCE SHEET -
 OTHER GOVERNMENTAL FUNDS
 June 30, 2011

	Lodger's Tax	Section 8 Housing	Fire Fund	Recreation Fund	Police Program	Local Government Correction	Law Enforcement Protection	Emergency Medical Services	Local DWI	Total Special Revenue
ASSETS										
Cash and cash equivalents	\$ 86,343	259,305	-	236,126	\$ 8,731	98,314	-	-	137,265	826,084
Investments	-	-	-	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-	-	-	-	-
Other receivables	10,191	-	-	1,359	-	-	-	-	1,033	1,033
Total assets	\$ 96,534	259,305	-	237,485	\$ 8,731	98,314	-	-	138,298	838,667
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	593	513	2,642	-	-	-	8,106	-	2,612	14,466
Due to other funds	-	-	-	-	-	-	-	-	-	-
Other accrued expenses	-	943	-	-	-	-	-	-	10,953	11,896
Total liabilities	593	1,456	2,642	-	-	-	8,106	-	13,565	26,362
FUND BALANCES										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	95,941	257,849	(2,642)	237,485	8,731	98,314	(8,106)	-	124,733	812,305
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total fund balances	95,941	257,849	(2,642)	237,485	8,731	98,314	(8,106)	-	124,733	812,305
Total liabilities and fund balances	\$ 96,534	259,305	-	237,485	\$ 8,731	98,314	-	-	138,298	838,667

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING BALANCE SHEET -
OTHER GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2011

	Municipal Street Improvement	Total Capital Projects	2003A Gross Receipts Tax Revenue Bond	2003B Gross Receipts Tax Revenue Bond	Total Debt Service	Total Other Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 330,664	330,664	66,635	237,933	304,568	1,461,316
Investments	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-
Other receivables	36,889	36,889	-	-	-	1,033
Total assets	\$ 367,553	367,553	66,635	237,933	304,568	1,510,788
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	1,641	1,641	-	-	-	16,107
Due to other funds	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	11,896
Total liabilities	1,641	1,641	-	-	-	28,003
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	66,635	237,933	304,568	1,116,873
Committed	-	-	-	-	-	-
Assigned	365,912	365,912	-	-	-	365,912
Unassigned	-	-	-	-	-	-
Total fund balances	365,912	365,912	66,635	237,933	304,568	1,482,785
Total liabilities and fund balances	\$ 367,553	367,553	66,635	237,933	304,568	1,510,788

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, 2011

	Lodger's Tax	Section 8 Housing	Fire Fund	Recreation Fund	Police Program	Local Government Correction	Law Enforcement Protection	Emergency Medical Service	Local DWI	Total Special Revenue
Revenues										
Sales and miscellaneous taxes	\$ 53,437	-	-	688	-	-	-	-	-	54,125
Intergovernmental	-	1,284,231	108,607	-	22,931	-	9,751	9,751	471,480	1,936,800
Charges for services	-	22,445	-	115,070	-	46,405	-	-	-	183,920
Investment earnings	224	-	-	224	-	223	-	-	-	671
Miscellaneous	-	-	-	-	8,490	-	-	-	-	8,490
Total revenues	53,661	1,306,676	108,607	115,982	31,421	46,628	39,800	9,751	471,480	2,184,006
Expenditures										
Current										
General government	54,817	-	-	-	-	62,530	-	-	-	117,347
Public safety	-	-	49,494	-	22,690	-	-	9,751	539,480	621,415
Public works	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	1,232,249	-	-	-	-	-	-	-	1,232,249
Culture and recreation	-	860	-	88,753	-	-	-	-	-	89,613
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	-	-	56,778	-	-	-	26,329	-	-	83,107
Interest and other charges	-	-	2,159	-	-	-	3,437	-	-	5,596
Capital outlay	-	-	-	14,578	-	-	10,034	-	-	24,612
Total expenditures	54,817	1,233,109	108,431	103,331	22,690	62,530	39,800	9,751	539,480	2,173,939
Excess (deficiency) of revenues over (under) expenditures	(1,156)	73,567	176	12,651	8,731	(15,902)	-	-	(68,000)	10,067
Other Financing Sources (Uses)										
Transfers in	-	-	-	-	-	-	-	-	100,951	100,951
Transfers out	-	(2,953)	-	-	-	-	-	-	(4,866)	(7,819)
Total other financing sources (uses)	-	(2,953)	-	-	-	-	-	-	96,085	93,132
Net change in fund balances	(1,156)	70,614	176	12,651	8,731	(15,902)	-	-	28,085	103,199
Fund balances, beginning of year	97,097	187,235	(2,818)	224,834	-	114,216	(8,106)	-	96,648	709,106
Fund balances, end of year	\$ 95,941	257,849	(2,642)	237,485	8,731	98,314	(8,106)	-	124,733	812,305

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, 2011

	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
Revenues						
Sales and miscellaneous taxes	\$ 438,516	438,516	\$ -	-	-	492,641
Intergovernmental	-	-	-	-	-	1,936,800
Charges for services	-	-	-	-	-	183,920
Investment earnings	328	328	108	234	342	1,341
Miscellaneous	-	-	-	-	-	8,490
Total revenues	438,844	438,844	108	234	342	2,623,192
Expenditures						
Current						
General government	-	-	-	-	-	117,347
Public safety	-	-	-	-	-	621,415
Public works	42,160	42,160	-	-	-	42,160
Health and welfare	-	-	-	-	-	1,232,249
Culture and recreation	-	-	-	-	-	89,613
Debt Service						
Principal	166,440	166,440	100,000	540,000	640,000	889,547
Interest and other charges	59,952	59,952	202,070	47,615	249,685	315,233
Capital outlay	-	-	-	-	-	24,612
Total expenditures	268,552	268,552	302,070	587,615	889,685	3,332,176
Excess (deficiency) of revenues over (under) expenditures	170,292	170,292	(301,962)	(587,381)	(889,343)	(708,984)
Other Financing Sources (Uses)						
Reversions to State General Fund	-	-	-	-	-	-
Proceeds from long-term debt, net	-	-	-	-	-	-
Transfers in	-	-	276,212	629,222	905,434	1,006,385
Transfers out	(60,610)	(60,610)	-	-	-	(68,429)
Total other financing sources (uses)	(60,610)	(60,610)	276,212	629,222	905,434	937,956
Net change in fund balances	109,682	109,682	(25,750)	41,841	16,091	228,972
Fund balances, beginning of year	256,230	256,230	92,385	196,092	288,477	1,253,813
Fund balances, end of year	\$ 365,912	\$ 365,912	\$ 66,635	\$ 237,933	\$ 304,568	\$ 1,482,785

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, 2011

	Water/Sewer			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Water sales and service	\$ 3,057,930	3,619,407	3,823,296	203,889
Sewer sales and service	2,433,260	2,433,260	2,580,183	146,923
Taxes	238,566	238,566	286,527	47,961
Interest	13,458	13,458	1,681	(11,777)
Miscellaneous	200,000	244,894	55,113	(189,781)
Total revenues	5,943,214	6,549,585	6,746,800	197,215
Expenditures				
Water/sewer - treatment plant	2,792,651	2,983,751	2,326,925	656,826
Water/sewer - utility expense	4,240,960	4,314,723	2,627,782	1,686,941
Total expenditures	7,033,611	7,298,474	4,954,707	2,343,767
Other Financing Sources				
Operating transfers in (out)	(56,680)	(56,680)	(56,680)	-
Revenues and other financing sources over (under) expenditures and other financing uses	(1,147,077)	(805,569)	1,735,413	2,540,982
Budgeted beginning cash	-			
	<u>\$ (1,147,077)</u>			
Unbudgeted revenues and expenses				
Depreciation expense			(1,964,189)	
Changes in accounts receivable			(766,059)	
Changes in accounts payable			(79,874)	
Changes in accrued liabilities			(55,217)	
GAAP change in net assets			<u>\$ (1,129,926)</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, 2011

	Solid Waste			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Solid waste sales	\$ 1,791,793	1,938,516	2,198,433	259,917
Taxes	184,691	184,691	364,175	179,484
Interest	5,979	5,979	714	(5,265)
Total revenues	<u>1,982,463</u>	<u>2,129,186</u>	<u>2,563,322</u>	<u>434,136</u>
Expenditures				
Solid waste expense	<u>2,020,224</u>	<u>2,132,166</u>	<u>2,017,827</u>	<u>114,339</u>
Total expenditures	<u>2,020,224</u>	<u>2,132,166</u>	<u>2,017,827</u>	<u>114,339</u>
Other Financing Sources				
Operating transfers in (out)	<u>(14,368)</u>	<u>(14,368)</u>	<u>(14,368)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(52,129)</u>	<u>(17,348)</u>	<u>531,127</u>	<u>548,475</u>
Budgeted beginning cash	<u>-</u>			
	<u>\$ (52,129)</u>			
Unbudgeted revenues and expenses				
Changes in accounts receivable			(155,559)	
Changes in accounts payable			(8,066)	
Changes in accrued liabilities			<u>-</u>	
GAAP change in net assets			<u>\$ 367,502</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, 2011

	Transportation 5311 Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ -	-	63,643	63,643
Miscellaneous	-	-	2,152	2,152
Total revenues	-	-	65,795	65,795
Expenditures				
General government	42,469	42,469	29,326	13,143
Total expenditures	42,469	42,469	29,326	13,143
Other Financing Sources				
Operating transfers out	-	-	-	-
Operating transfers in	-	-	-	-
Total other financing sources	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (42,469)	(42,469)	36,469	78,938
Changes in accounts receivable			(25,145)	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
GAAP change in net assets			\$ 11,324	

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, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 59,000	59,000	65,357	6,357
Interest	1,350	1,350	224	(1,126)
Total revenues	<u>60,350</u>	<u>60,350</u>	<u>65,581</u>	<u>5,231</u>
Expenditures				
General government	63,000	63,000	54,817	8,183
Total expenditures	<u>63,000</u>	<u>63,000</u>	<u>54,817</u>	<u>8,183</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (2,650)</u>	<u>(2,650)</u>	10,764	<u>13,414</u>
Budgeted beginning cash	<u>-</u>			
Changes in accounts receivable			(11,920)	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
GAAP change in fund balance			<u>\$ (1,156)</u>	

VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
SECTION 8 HOUSING
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ 1,320,971	1,320,971	1,403,902	82,931
Interest	-	-	-	-
Total revenues	1,320,971	1,320,971	1,403,902	82,931
Expenditures				
Health and welfare	1,360,390	1,360,390	1,237,506	122,884
Total expenditures	1,360,390	1,360,390	1,237,506	122,884
Other Financing Uses				
Operating transfers out	(2,954)	-	(2,954)	2,954
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (42,373)</u>	<u>(39,419)</u>	163,442	<u>208,769</u>
Budgeted beginning cash	<u>-</u>			
Changes in accounts receivable			(97,226)	
Changes in accounts payable			4,398	
Changes in accrued liabilities			<u>-</u>	
GAAP change in fund balance			<u>\$ 70,614</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, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 108,607	108,607	108,607	-
Interest	-	-	-	-
Total revenues	108,607	108,607	108,607	-
Expenditures				
Public safety	108,607	108,607	108,431	176
Total expenditures	\$ 108,607	108,607	108,431	176

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, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,346	6,346	1,325	(5,021)
Interest	166	166	224	58
Charges for services	87,888	87,888	115,070	27,182
Total revenues	<u>94,400</u>	<u>94,400</u>	<u>116,619</u>	<u>22,219</u>
Expenditures				
Culture and recreation	108,000	108,000	103,331	4,669
Total expenditures	<u>108,000</u>	<u>108,000</u>	<u>103,331</u>	<u>4,669</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (13,600)</u>	<u>(13,600)</u>	13,288	<u>26,888</u>
Changes in accounts receivable			(637)	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
GAAP change in fund balance			<u>\$ 12,651</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
POLICE PROGRAM
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous revenues	\$ -	-	8,490	8,490
Intergovernmental	7,000	16,848	22,931	6,083
Total revenues	7,000	16,848	31,421	14,573
Expenditures				
Culture and recreation	15,000	23,411	22,690	721
Total expenditures	15,000	23,411	22,690	721
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (8,000)	(6,563)	8,731	15,294
Other Financing Uses				
Operating transfers in	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 8,000	6,563	8,731	15,294

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, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 51,469	51,469	46,405	(5,064)
Interest	167	167	223	56
Total revenues	51,636	51,636	46,628	(5,008)
Expenditures				
General government	68,000	68,000	62,530	5,470
Total expenditures	68,000	68,000	62,530	5,470
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (16,364)	(16,364)	(15,902)	(10,478)

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, 2011

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

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
EMERGENCY MEDICAL SERVICE
Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 9,985	9,985	9,751	(234)
Interest	-	-	-	-
Total revenues	9,985	9,985	9,751	(234)
Expenditures				
Public safety	9,985	9,985	9,751	234
Total expenditures	9,985	9,985	9,751	234
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	-	-	-

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, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 478,733	478,733	471,480	(7,253)
Interest	-	-	-	-
Total revenues	478,733	478,733	471,480	(7,253)
Expenditures				
Public safety	667,057	667,057	539,480	127,577
Total expenditures	667,057	667,057	539,480	127,577
Other Financing Sources				
Operating transfers in (out)	96,085	96,085	96,085	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (92,239)	(92,239)	28,085	120,324

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, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 324,551	324,551	469,838	145,287
Admin revenue	-	-	-	-
Interest	1,022	1,022	328	(694)
Total revenues	<u>325,573</u>	<u>325,573</u>	<u>470,166</u>	<u>144,593</u>
Expenditures				
Highways and streets	301,393	301,393	268,552	32,841
Total expenditures	<u>301,393</u>	<u>301,393</u>	<u>268,552</u>	<u>32,841</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>\$ (36,430)</u>	<u>(36,430)</u>	141,004	<u>177,434</u>
Budgeted beginning cash	<u>-</u>			
Changes in accounts receivable			(31,322)	
Changes in accounts payable			-	
Changes in accrued liabilities			-	
GAAP change in fund balance			<u>\$ 109,682</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, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest revenue	\$ 32	32	108	76
Total revenues	32	32	108	76
Expenditures				
Debt service	302,075	302,075	302,070	5
Total expenditures	302,075	302,075	302,070	5
Other Financing Sources				
Operating transfers in	302,075	302,075	276,212	25,863
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 32	32	(25,750)	25,944

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, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest revenue	\$ 265	265	234	(31)
Total revenues	265	265	234	(31)
Expenditures				
Debt service	587,360	587,615	587,615	-
Total expenditures	587,360	587,615	587,615	-
Other Financing Sources				
Operating transfers in	637,005	637,005	629,222	(7,783)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ 49,910	49,655	41,841	(7,814)

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2011

	Court Trust Fund	FFS Escrow	Central Solid Waste Authority	Central Dispatch	Municipal Court Bond	Total Agency Fund
ASSETS						
Cash	\$ 1,780	13,131	1,176,509	186,374	28,054	\$ 1,405,848
Due from other agencies	-	-	-	172,904		172,904
Total Assets	1,780	13,131	1,176,509	359,278	28,054	1,578,752
LIABILITIES						
Accounts payable	1,780	-	5,323	3,628	28,054	38,785
Accrued liabilities	-	-	-	31,515	-	31,515
Due to other funds	-	13,131	1,171,186	324,135	-	1,508,452
Total Liabilities	\$ 1,780	\$ 13,131	\$ 1,176,509	\$ 359,278	\$ 28,054	\$ 1,578,752

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2011

	Wells Fargo	US Bank	SECU	My Bank
Deposits in Bank or Savings and Loan				
Money market	\$ 2,507,921	3,811,952	184	-
Bank deposits	1,363,349	2,938,420	-	-
Repurchase deposits	3,564,265	-	-	-
Certificates of deposit	-	-	100,000	100,000
	<u>7,435,535</u>	<u>6,750,372</u>	<u>100,184</u>	<u>100,000</u>
Less FDIC or FSLIC coverage	<u>1,614,292</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	<u>5,821,243</u>	<u>6,500,372</u>	-	-
Collateral requirement @ 50%	1,128,489	3,250,186	-	-
Collateral requirement @ 102%	<u>3,635,550</u>	-	-	-
Total required collateralization	<u>4,764,039</u>	<u>3,250,186</u>	-	-
Pledges and securities				
Wells Fargo - Repurchase Agreement	3,222,390			
FG G04816 CUSIP #3128M6VH8, 5.0%, due 09/01/2038	34,834	-	-	-
FN 256349 CUSIP #31371MWJ2, 6.0%, due 08/01/2036	98,286	-	-	-
FN 849300 CUSIP #31408ERV6, 6.0%, due 02/01/2036	330,467	-	-	-
FN 865388 CUSIP #31409AND7, 6.0%, due 02/01/2036	93,701	-	-	-
FN 888431 CUSIP #31410GA86, 6.0%, due 06/01/2037	16,208	-	-	-
FN 928832 CUSIP #31412L4R8, 6.0%, due 10/1/2037	958,723	-	-	-
FN 984845 CUSIP #31415PBN7, 6.0%, due 07/01/2038	940,273	-	-	-
Los Lunas NM Sch Dist 1 545562KY5, 3.65%, due 07/15/2014	-	100,000	-	-
Ruidoso NM Mun Sch Dist 3 781338GN2, 3.85%, due 08/01/2021	-	500,000	-	-
Dona Ana Brh Cmnty College 257578DH4, 3.65%, due 08/01/2017	-	50,000	-	-
MBS GNMA 1 CUSIP #36225BZQ4, 4.50%, due 09/15/2018	-	122,028	-	-
GNR 2010-23 LC 38376VL62, 3.50%, due 10/20/2037	-	44,558	-	-
GNR 2009-84 A 38374XD77, 4.00%, due 11/16/2020	-	73,090	-	-
GNR 2009-20 AB 38374TPE8, 5.00%, due 03/16/2032	-	206,761	-	-
GNR 2009-65 CB 38373AHC3, 5.50%, due 09/16/2024	-	80,400	-	-
GNR 2009-61 BA 38376FBB7, 5.50%, due 12/20/2028	-	622,671	-	-
GNR 2009-61 TE 38376FGC0, 4.50%, due 02/16/2032	-	331,360	-	-
GNR 2009-104 KA 38376JLG7, 4.50%, due 08/16/2039	-	426,874	-	-
GNR 2008-50 KT 38375QB73, 5.00%, due 09/20/2036	-	84,270	-	-
GNR 2007-7 PB 38375JJB2, 5.00%, due 06/16/2032	-	105,331	-	-
MBS GNMA II 1 yr Tsy ARM 5/1 36225ELT7, 5.00%, due 08/20/2038	-	32,442	-	-
GNR 2009-43 JP 38374UG62, 5.00%, due 10/20/2036	-	795,648	-	-
Cavanal Hill US Treasury FD#0002, 0.01%	-	-	-	-
Cavanal Hill US Treasury FD#0002, 0.01%	-	-	-	-
FNMA FN #AL0135 #3138EGEH3, 2.6040%, due 01/01/2039	-	-	-	-
FHLMC FH #420053 #31346ABW4, 2.7220%, due 05/01/2018	-	-	-	-
FHLMC FH #755143 #31349GWC9, 2.3650%, due 03/01/2020	-	-	-	-
Santa Fe Cnty NM Pub 801889LV6, 4.1%, due 07/01/2023	-	-	-	-
Total pledged securities	<u>5,694,883</u>	<u>3,575,433</u>	-	-
(Over) under pledged	<u>\$ (930,844)</u>	<u>(325,247)</u>	-	-

Safekeeping locations for the above securities are as follows:

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

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

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
Year Ended June 30, 2011

	Wells Fargo	US Bank	SECU	My Bank
Deposits in Bank or Savings and Loan				
Money market	\$ 2,507,921	3,811,952	184	-
Bank deposits	1,363,349	2,938,420	-	-
Repurchase deposits	3,564,265	-	-	-
Certificates of deposit	-	-	100,000	100,000
Total bank balance	7,435,535	6,750,372	100,184	100,000
Reconciling Items				
Outstanding checks	(902,753)	(90,730)	-	-
Deposits in transit	925,416	43,329	-	-
Other adjustments	-	-	-	-
Total adjustments	22,663	(47,401)	-	-
Total book balance	7,458,198	6,702,971	100,184	100,000
Less agency fund balances included in bank balance	1,377,321	-	-	-
Total primary government	\$ 6,080,877	6,702,971	100,184	100,000

Bank of Albuquerque	Bank of the West	NMEFCU	New Mexico Bank & Trust	X-press Bill Pay	Total
304,567	853,633	-	-	117,528	7,595,786
-	1,046,437	-	-	-	5,348,206
-	-	-	-	-	3,564,265
100,000	300,000	100,184	200,000	-	900,184
404,567	2,200,070	100,184	200,000	117,528	17,408,441
-	-	-	-	-	(993,483)
-	-	-	-	-	968,745
-	-	-	-	-	-
-	-	-	-	-	(24,738)
404,567	2,200,070	100,184	200,000	117,528	17,383,703
-	-	-	-	-	1,377,321
404,567	2,200,070	100,184	200,000	117,528	16,006,382

STATE OF NEW MEXICO
 VILLAGE OF LOS LUNAS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
 Year Ended June 30, 2011

	Court Trust Fund	Central Solid Waste Authority	Central Dispatch
Assets, July 1, 2010	\$ 3,742	1,222,169	227,504
Increase	(1,962)	(45,660)	131,774
Decrease	-	-	-
Assets, June 30, 2011	\$ 1,780	1,176,509	359,278
Liabilities, July 1, 2010	\$ 3,742	1,222,169	227,504
Increase	(1,962)	(45,660)	131,774
Decrease	-	-	-
Liabilities, June 30, 2011	\$ 1,780	1,176,509	359,278

	FSS Escrow	Municipal Court Bond	Total
\$	13,128	28,054	1,494,597
	3	-	84,155
	-	-	-
	<u>13,131</u>	<u>28,054</u>	<u>1,578,752</u>
\$	13,128	28,054	1,494,597
	3	-	84,155
	-	-	-
	<u>13,131</u>	<u>28,054</u>	<u>1,578,752</u>

STATE OF NEW MEXICO
 VILLAGE OF LOS LUNAS
 SCHEDULE OF JOINT POWERS AGREEMENTS
 June 30, 2011

Agreement	The City Participates with	Party Responsible for	Description	Period	Cost to City	City Contributions	Audit Responsibility
Rio Metro Regional Transit District	Mid-Region Council of Governments	Operation Rio Metro Regional Transit District	Operation and management of Village transit services	October 1, 2010 to June 30, 2012	Maximum \$150,000	Unknown	Village of Los Lunas
Housing Authority	Socorro County Housing Authority	Socorro County Housing Authority	Operation of Village Housing Authority	Unknown	Administrative Fees for applicable HUD Contracts	Unknown	Village of Los Lunas

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2011

HUD Line Item #	Account Description	Section 8 Rental Voucher Program 14.871	Shelter Plus Care 14.238
ASSETS			
111	Section 8 Fund Cash	\$ 259,305	-
121	Accounts receivable - PHA projects	-	-
Total assets		259,305	-
LIABILITIES AND FUND BALANCES			
Liabilities			
312	Accounts payable, less than 90 days	513	-
321	Accrued wage/payroll taxes payable	943	-
322	Accrued compensated absences	-	-
333	Due to general fund accounts payable - other government	-	-
Total liabilities		1,456	-
Fund Balances			
512	Unreserved, undesignated	355,075	-
Total fund equity		355,075	-
Total liabilities and fund balances		\$ 356,531	-

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended June 30, 2011

HUD Line Item #	Account Description	Section 8 Rental Voucher Program 14.871	Shelter Plus Care 14.238
REVENUES			
706	HUD PHA operating grants	\$ 704,850	170,328
708	Other Government grants	-	-
711	Investment income - Unrestricted	-	-
714	Fraud recovery	-	-
715	Other revenue	526,214	-
	Total revenues	<u>1,231,064</u>	<u>170,328</u>
EXPENDITURES			
Current			
911	Administrative salaries	38,560	28,972
912	Auditing fees	6,000	-
915	Employee benefit contribution - administrative	30,255	-
916	Other operating - administrative	35,961	6,597
962	Other general expenses	465,721	-
973	Housing assistance payments	491,125	134,759
	Total expenditures	<u>1,067,622</u>	<u>170,328</u>
	Revenues under expenditures	163,442	-
	Fund balances, beginning of year	<u>187,235</u>	-
	Fund balances, end of year	<u><u>\$ 350,677</u></u>	<u>-</u>

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Identification Number	Federal Expenditures
Direct Programs			
U.S. Department of Housing and Urban Development Section 8 Rental Voucher Program	14.871		\$ 704,850
U.S. Department of Housing and Urban Development Shelter Plus Care	14.238		170,328
U.S. Department of Agriculture Community Facilities Loan and Grant	10.766		349,593
Total direct programs			<u>1,224,771</u>
Indirect Programs			
Passed through Mortgage Finance Authority ARRA Funds - HPRP Program	14.257	None	198,646
Passed through State of New Mexico and the U.S. Department of Transportation ARRA Funds - Highway Planning and Construction	20.205	D12755/1	752,792
Passed through State of New Mexico and the U.S. Department of Transportation ARRA Funds - Highway Planning and Construction	20.205	D12753	<u>657,260</u>
Total indirect programs			<u>1,608,698</u>
Total federal assistance			<u>\$ 2,833,469</u>

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011**

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, 2011:

	Current Year Expenditures	Balance at Year-End
*Drinking Water State Revolving Loan 66.468	\$ -	6,378,227
*Clean Water State Revolving Loan 66.458	-	18,551,856
Community Facilities Loan and Grant 10.766	349,593	600,000

*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. Construction has ended and there are no continuing compliance requirements for these loans.

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, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. We have also audited the financial statements of the Village's non-major funds, including the budgetary comparisons, the agency funds, and the budgetary comparisons for the major enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements and have issued our report thereon dated July 31, 2012. 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.

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questions costs that we consider to be significant deficiencies in internal control over financial reporting as items 09-05, 10-03, 11-02 and 11-03. 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.

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* and which is described in the accompanying schedule of findings and questioned costs as item 09-05.

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

We noted certain matters that are required to be reported pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as item 11-01.

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 management, the Village Council, 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
July 31, 2012

**Report of Independent Auditors on Compliance With
Requirements that Could have a Direct and Material Effect
on 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) compliance 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, 2011. 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.

As described in item 10-06, in the accompanying schedule of findings and questions costs, the Village did not comply with requirements regarding reporting that are applicable to its HUD Section 8 Housing Choice Vouchers. Compliance with such requirements is necessary, in our opinion, for the Village, to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2011. The results of our auditing procedures also disclosed other 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 and 10-05.

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.

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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiency in internal control over compliance that we consider to be *material weakness* and other deficiencies 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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-06 to be material weaknesses.

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 charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-04 and 10-05 to be significant deficiencies.

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 management, the Village Council, the State Auditor, 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
July 31, 2012

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011**

STATUS OF PRIOR YEAR AUDIT FINDINGS

08-01 Segregation of Duties	Resolved
09-01 Inability to Prepare GAAP -based financial statements	Resolved
09-05 Late Audit Report	Repeated and Revised
10-01 Improve Controls Over Wire Transfers	Resolved
10-02 Update of Payroll Master Data	Resolved
10-03 Improve Controls Over IT General Controls	Repeated and Revised
10-04 Annual Re-examination - Eligibility	Repeated and Revised
10-05 Overpayment of Rent - Cash Management	Repeated and Revised
10-06 Submission of REAC- Reporting	Repeated and Revised
10-07 Unreported Federal Awards	Resolved

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified X Yes _____ None Reported

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes _____ No
- Significant deficiencies identified X Yes _____ None reported

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

14.871	Section 8 Housing Choice Vouchers	Qualified
20.205	Highway Planning and Construction	Unqualified
10.766	Community Facilities Loans and Grants	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 Housing Choice Vouchers
20.205	Highway Planning and Construction (Recovery)
10.766	Community Facilities Loans and Grants

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, 2011**

B. FINANCIAL STATEMENT FINDINGS

09-05 Late Audit Report (non compliance and significant deficiency)

Condition: The Village submitted its financial statements beyond the State due date of December 1, 2011 and the Federal due date of March 31, 2012. The Office of the State Auditor received the audit report in July 2012.

Criteria: Subsection A of 2.2.2.9 NMAC states that audit report due date for municipalities is December 1. OMB Circular A-133 requires the Single Audit reporting package be submitted by March 31.

Cause: There were key financial statement schedules that were not prepared or provided by the Village in time to meet the statutory deadline. The 2010 audit was completed on November 28, 2011 and the 2011 trial balance was not finalized and provided to the auditor until March 14, 2012. In addition, subsequent discovery of federal awards not included in the SEFA required testing of an additional major program. Also, there were delays caused by the auditor's schedule.

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 is committed to meeting the deadline set forth by the State Auditor's Office for the financial statements. The Finance Officer will work closely with Village staff and audit team to ensure compliance with this deadline. The Finance Officer and Village Administrator have developed safeguards to facilitate the audit process and efficiency in reporting information back to the auditors as requested.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

10-03 Improve Information Technology General Controls (significant deficiency)

Condition: Our review of information technology (IT) general controls revealed the following:

- 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.
- Currently, there is not a policy regarding backing up the Village's information to portable media devices, such as USB memory sticks, external hard drives, Clouds, etc.

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:

- 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.
- A policy should be implemented regarding backing up the Village's information to portable media devices, such as USB memory sticks, external hard drives, Clouds, etc.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

10-03 Improve Information Technology 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. The IT Manager is working on a policy regarding proprietary Village information and the access that employees have to this information to make certain that there is not a breach concerning this information.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

11-03 Schedule of Expenditures of Federal Awards (significant deficiency)

Condition: During our review of loan agreements, we noted a program was funded by the USDA, but the amount was not included in the Schedule of Expenditures of Federal Awards (SEFA). The expenditures not included in SEFA amounted to \$349,593 for the year ended June 30, 2011.

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: There was a delay in completing the audit.

Cause: The Village is not aware that the loans provided by the USDA were subject to Single Audit.

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: The Village used the \$500,000 threshold for federal funds for the SEFA reporting. Management concurs with auditor's recommendation and will ensure that compliance requirements are met when working with non-federal agencies.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

11-02 Postemployment Health Care Plan (significant deficiency)

Condition: The Village has not obtained actuarial services for the evaluation of the Postemployment Health Care Plan since July 2007.

Criteria: GASB 45 par 12 requires an actuarial valuation report every two and three years (at the minimum) for each plan with total membership of 200 or more and fewer than 200, respectively. The total membership under this purpose include active employees, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Effect: The Plan has not been properly evaluated to determine the projection of benefits.

Cause: The Village anticipates changing the Plan.

Recommendation: We recommend an actuarial valuation be obtained for the existing Plan. If the Plan is ending, the new Plan should be established and begin timely.

Management Response: Management concurs with the auditor's recommendation and will procure a contract for a new actuarial study for post employment benefits.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

10-04 Section 8 Annual Reexamination – Eligibility (non compliance and significant deficiency)

Federal Program:

U.S. Department of Housing and Urban Development
Section 8 Housing Choice Vouchers – CFDA 14.871
Award Period, July 1, 2010 – June 30, 2011

Condition: During our eligibility testwork, we noted an annual reexamination was not performed on four of ten tenants.

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: The Village of Los Lunas Housing Authority was merged with the Socorro County 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, 2011

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

10-05 Section 8 Overpayment of Rent - Cash Management (non compliance and significant deficiency)

Federal Program:

U.S. Department of Housing and Urban Development
Section 8 Housing Choice Vouchers – CFDA 14.871
Award Period, July 1, 2010 – June 30, 2011

Condition: During our eligibility testing, we noted a double payment of prorated rent to one owner. The prorated payment was made in March, and the prorated amount was again included in the April 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: \$865 based on the amount of duplicate payment.

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: The Village of Los Lunas Housing Authority was taken over by Socorro County 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, 2011**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

10-06 Section 8 Submission of REAC and SEMAP – Reporting (material weakness and non-compliance)

Federal Program:

U.S. Department of Housing and Urban Development
Section 8 Housing Choice Vouchers – CFDA 14.871
Award Period, July 1, 2010 – June 30, 2011

Condition: During our reporting testing, we noted the filing to the Real Estate Assessment Center (REAC) and the Section Eight Management Assessment Program (SEMAP) has not been submitted.

Criteria: HUD regulations require that unaudited Financial Statements be submitted through REAC within 90 days from the end of the fiscal year. Additionally, the SEMAP report is to be submitted to HUD within 60 days from the end of the fiscal year. In addition, the audited REAC submission was due by March 31, 2012.

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 and SEMAP submissions should be timely processed.

Management Response: Management agrees with auditor's recommendation.
Note: The Village of Los Lunas Housing Authority was taken over by Socorro County 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, 2011**

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

11-01 Events Reportable to the Office of the State Auditor (other matter)

Condition: An embezzlement of approximately \$18,000 occurred between May 2010 to May 2011 within the Utility Department. While this was reported to the New Mexico State Police, it was not reported to the Office of the State Auditor.

Criteria: Per NMSA 12-6-6 "Immediately upon discovery of any violation of a criminal statute in connection with financial affairs, the state auditor shall report the violation to the proper prosecuting officer and furnish the officer with all data and information in his possession relative to the violation. An agency or independent auditor shall report a violation immediately to the state auditor."

Cause: The Village was not aware of the applicable New Mexico Statute requiring reporting to the Office of the State Auditor.

Effect: The Village is not in compliance with New Mexico Statutes. As a result, the State Auditor was not able to complete a timely investigation.

Recommendation: We recommend the Village establish policies and procedures to ensure they are in compliance with all applicable statutes related to the Office of the State Auditor.

Management Response: Management concurs with the auditor's recommendation. The Finance Officer conducted an internal investigation of the Utility Department and compiled the financial information used to determine the amount of theft. The Village did receive restitution in full for this embezzlement.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
EXIT CONFERENCE
Year Ended June 30, 2011**

The contents of this report were discussed in the exit conference held on July 31, 2012, with the following in attendance:

Representing Village of Los Lunas:

Robert Vialpando	Mayor
Gregory Martin	Village Administrator
Monica Clarke	Financial Manager

Representing Moss Adams LLP:

Larry Carmony	Partner
Julie Knight	Manager

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