

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

**Financial Statements**

**June 30, 2012**

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**STATE OF NEW MEXICO**

**VILLAGE OF LOS LUNAS**

**Official Roster**

**June 30, 2012**

Robert Vialpando	Mayor
Richard Lovato	Mayor Pro-Tem
Gerard Saiz	Councilor
Amanda Perea	Councilor
Charles Griego	Councilor
Gregory Martin	Village Administrator
Monica Clarke	Finance Officer

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of State of New Mexico Village of Los Lunas (the "Village"), as of and for the year ended June 30, 2012, which collectively comprise the Village's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Village's nonmajor governmental, agency funds, and the budgetary comparisons for the major enterprise funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and the major special revenue funds 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 previously present fairly, in all material respects, the respective financial position of each nonmajor governmental, non major enterprise and agency funds, of the Village as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The additional schedules listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the



financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "Axiom". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico  
December 3, 2012

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2012**

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

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

**Financial Highlights**

- The Village's governmental net assets were \$49,531,744 for fiscal year 2012.
- The Village's governmental program revenues were \$3,094,599 for fiscal year 2012.
- The total cost of all Village governmental programs was \$18,699,864.

**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, 2012**

**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, 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, 2012**

**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, 2012**

**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, 2012.

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 14,606,078	14,028,739	4,866,114	6,511,351	19,472,192	20,540,090
Capital and non-current assets	46,295,515	47,750,391	59,945,802	61,092,044	106,241,317	108,842,435
<b>Total assets</b>	<b>\$ 60,901,593</b>	<b>61,779,130</b>	<b>64,811,916</b>	<b>67,603,395</b>	<b>125,713,509</b>	<b>129,382,525</b>
Current liabilities	\$ 1,869,463	1,725,595	2,526,139	4,949,208	4,395,602	6,674,803
Long-term liabilities	9,500,386	10,049,793	24,799,176	26,156,353	34,299,562	36,206,146
<b>Total liabilities</b>	<b>11,369,849</b>	<b>11,775,388</b>	<b>27,325,315</b>	<b>31,105,561</b>	<b>38,695,164</b>	<b>42,880,949</b>
Net Assets:						
Invested in capital assets, net of related debt and unspent bond proceeds	37,585,656	38,151,118	33,836,693	35,845,129	71,422,349	73,996,247
Restricted	2,001,562	2,572,551	-	-	2,001,562	2,572,551
Unrestricted	9,944,526	9,280,073	3,649,908	652,705	13,594,434	9,932,778
<b>Total net assets</b>	<b>49,531,744</b>	<b>50,003,742</b>	<b>37,486,601</b>	<b>36,497,834</b>	<b>87,018,345</b>	<b>86,501,576</b>
<b>Total liabilities and net assets</b>	<b>\$ 60,901,593</b>	<b>61,779,130</b>	<b>64,811,916</b>	<b>67,603,395</b>	<b>125,713,509</b>	<b>129,382,525</b>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2012**

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

For the fiscal year ending June 30, 2012, the Village had \$46,135,515 in governmental activities invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads and sidewalks. This amount represents a slight decrease from prior year. In fiscal year 2012, the Village disposed of obsolete and worn-out inventory. In addition, the Village removed capital assets from the housing authority and transferred them to the El Camino Rael Housing Authority including vehicles and furniture and equipment. Capital assets (net of accumulated depreciation) make up approximately 76% 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 2012, the net assets from the Village's governmental funds decreased by .94% 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 2.2% increase over last year's reported revenue. This increase represents a strong economic growth in our community and a strong market value in property assessments for our community.

For fiscal year 2012, there is \$2,001,562 in restricted net assets; restricted net assets are mainly for capital projects and special purposes including the Village's self-fund Post Employment Benefit Program. In addition, net revenues benefited from increased grant and operating revenue along with an increase in property tax revenues.

In 2012, the net assets of our business-type activities increased 2.7% over the prior fiscal year. This increase is due to an increase in charges for service revenue and also a restatement of capital assets. The Enterprise Funds disposed of worn-out, obsolete equipment during the fiscal year. 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 \$8,550,000 in bonds, notes and capital leases outstanding for governmental activities.

In fiscal year 2012, the Village paid off a Series 2003B GRT Improvement Revenue Bond. There is only one service bond left in governmental activities, which is described below:

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2012**

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

1. Gross Receipts Tax Improvement Revenue Bonds, Series 2003A, April 2003, and \$5,175,000.

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

There was not any new debt issued for fiscal year 2012 for governmental activities. For business-related activities, there was not any new debt issued; however, the first payment on the NMED WWTP Expansion Construction Loan was due in the amount of \$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, 2012**

**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 2012.

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,648,531	2,127,288	8,274,287	8,063,076	9,922,818	10,190,364
Operating grants & contributions	1,446,068	2,884,505	382,186	-	1,828,254	2,884,505
Capital grants & contributions	-	-	-	-	-	-
General revenues:						
Property taxes	2,549,025	2,194,221	-	-	2,549,025	2,194,221
Other taxes	12,073,937	11,027,475	-	-	12,073,937	11,027,475
Miscellaneous interest & other revenues	247,968	564,112	407,496	384,019	655,464	948,131
	694	16,978	(437,962)	(305,513)	(437,268)	(288,535)
Total revenues	17,966,223	18,814,579	8,626,007	8,141,582	26,592,230	26,956,161
Expenses:						
General government	3,080,611	4,817,872	-	-	3,080,611	4,817,872
Public safety	6,778,515	5,974,741	-	-	6,778,515	5,974,741
Highways & streets	3,861,321	3,567,396	-	-	3,861,321	3,567,396
Culture & recreation	4,034,417	2,804,839	-	-	4,034,417	2,804,839
Health & welfare	646,275	1,250,126	-	-	646,275	1,250,126
Interest on long-term	298,725	315,233	-	-	298,725	315,233
Water/sewer	-	-	6,358,078	6,753,614	6,358,078	6,753,614
Solid waste	-	-	1,655,729	2,025,551	1,655,729	2,025,551
Transportation	-	-	155,768	42,469	155,768	42,469
Total expenses	18,699,864	18,730,207	8,169,575	8,821,634	26,869,439	27,551,841
Net revenues (loss) before Transfers	(733,641)	84,372	456,432	(680,052)	(277,209)	(595,680)
Transfers	261,646	71,048	(261,646)	(71,048)	-	(74,698)
Disposition of capital asset	-	-	-	-	-	-
Increase in net assets	(471,995)	155,420	194,786	(751,100)	(277,209)	(595,680)
Net assets, restated	-	-	793,981	-	793,981	-
Net assets, beginning of year	50,003,739	49,848,319	36,497,834	37,248,934	86,501,573	87,097,253
Net assets, end of year	\$ 49,531,744	50,003,739	37,486,601	36,497,834	87,018,345	86,501,573



**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2012**

**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 \$13,197,406 and actual revenues received were \$12,940,001, which is a negative variance of \$257,405. In addition, the total General Fund expense budget was \$18,318,515 and actual expenditures were \$14,052,414, which is a positive variance of \$4,266,101.

There were no significant differences between the original and final budgeted revenue amounts for the General Fund. The expenditures increased by \$150,414 from the original to the final budget, due mainly to projected increases in public safety and culture and recreation.

**Progress Highlights for Fiscal Year 2012**

- 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 ARRA Projects: NM 314 Intersection and Courthouse Road and NM 314 Pedestrian RR Crossings.
- Hired a Human Resource Manager
- Hired two officers with funding provided by the Cops Fast Grant
- Purchased 8 new vehicles for the Police Department, Fire Department, Parks Department and Waste Water Treatment Plant Department
- Completed well-site improvement upgrades
- Completed renovations on building upgrades at the Solid Waste Transfer Station
- Completed sidewalk reconstruction on Camelot Boulevard
- Began construction on City Hall landscape improvements

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2012**

**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 Villages' newest economic development efforts will revolve around the 1000 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 2012-2013 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.
3. Continue planning for the Transportation Building Phase II project funded by federal grant and local government matching funds.
4. Infrastructure Capital Improvement Plan (ICIP) Project Summary lists the following five projects as top priority for the Village Council:
  - a. WWTP Capacity Expansion Cassettes
  - b. Westside Fire Substation/Ladder Truck
  - c. Eastern Water Loop (East of Rio Grande)
  - d. Morris Road Extension
  - e. NM314 Reconstruction (South)

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 2012-2013, 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.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2012**

**Economic Factors and Next Year's Budget and Rates (Continued)**

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 stores.

**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

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF NET ASSETS  
June 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 10,358,029	3,113,161	13,471,190
Restricted Cash	1,271,385	199,420	1,470,805
Investments	301,282	200,000	501,282
Receivables	2,612,434	1,306,763	3,919,197
Inventories	-	46,770	46,770
Other receivables	62,948	-	62,948
<b>Total current assets</b>	<u>14,606,078</u>	<u>4,866,114</u>	<u>19,472,192</u>
Noncurrent Assets			
Investments	160,000	240,000	400,000
Capital assets	94,093,348	85,538,979	179,632,327
Less accumulated depreciation	(47,957,833)	(25,833,177)	(73,791,010)
<b>Total noncurrent assets</b>	<u>46,295,515</u>	<u>59,945,802</u>	<u>106,241,317</u>
<b>Total assets</b>	<u>\$ 60,901,593</u>	<u>64,811,916</u>	<u>125,713,509</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 391,547	88,440	479,987
Accrued payroll expenses	214,157	30,361	244,518
Customer deposits	-	239,420	239,420
Interest payable	-	473,895	473,895
Long-term liabilities			
Due within one year			
Bonds, notes, capital leases and compensated absences	1,263,759	1,694,023	2,957,782
Due in more than one year			
Bonds, notes and capital leases	7,607,850	24,225,291	31,833,141
Compensated absences	35,749	5,579	41,328
Post-closure landfill costs	-	568,306	568,306
Net other postemployment benefits obligation	1,856,787	-	1,856,787
<b>Total liabilities</b>	<u>11,369,849</u>	<u>27,325,315</u>	<u>38,695,164</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	37,585,656	33,836,693	71,422,349
Restricted for			
Other postemployment benefits	1,275,386	-	1,275,386
Capital projects	447,586	-	447,586
Debt service	278,590	-	278,590
Unrestricted	9,944,526	3,649,908	13,594,434
<b>Total net assets</b>	<u>49,531,744</u>	<u>37,486,601</u>	<u>87,018,345</u>
<b>Total net assets and liabilities</b>	<u>\$ 60,901,593</u>	<u>64,811,916</u>	<u>125,713,509</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 3,080,611	1,462,192	212,629	-	(1,405,790)	-	(1,405,790)
Public safety	6,778,515	33,305	629,967	-	(6,115,243)	-	(6,115,243)
Public works	3,861,321	-	133,264	-	(3,728,057)	-	(3,728,057)
Health, welfare and sanitation	646,275	61,254	470,208	-	(114,813)	-	(114,813)
Culture and recreation	4,034,417	91,780	-	-	(3,942,637)	-	(3,942,637)
Interest on long-term debt	298,725	-	-	-	(298,725)	-	(298,725)
<b>Total governmental activities</b>	<b>18,699,864</b>	<b>1,648,531</b>	<b>1,446,068</b>	<b>-</b>	<b>(15,605,265)</b>	<b>-</b>	<b>(15,605,265)</b>
Business-Type Activities							
Water and sewer	6,358,078	6,111,429	382,186	-	-	135,537	135,537
Solid waste	1,655,729	2,162,858	-	-	-	507,129	507,129
Transportation	155,768	-	-	-	-	(155,768)	(155,768)
<b>Total business-type activities</b>	<b>8,169,575</b>	<b>8,274,287</b>	<b>382,186</b>	<b>-</b>	<b>-</b>	<b>486,898</b>	<b>486,898</b>
<b>Total primary government</b>	<b>\$ 26,869,439</b>	<b>9,922,818</b>	<b>1,828,254</b>	<b>-</b>	<b>(15,605,265)</b>	<b>486,898</b>	<b>(15,118,367)</b>
<b>General Revenues</b>							
Taxes							
Property taxes, levied for general purposes					2,549,025	-	2,549,025
Franchise tax					494,437	-	494,437
Sales tax					9,989,292	-	9,989,292
Other taxes					567,305	-	567,305
Unrestricted investment earnings (loss)					694	(437,962)	(437,268)
Miscellaneous					247,968	407,496	655,464
Legislative appropriations					1,022,903	-	1,022,903
Transfers					261,646	(261,646)	-
<b>Total general revenues, special items, and transfers</b>					<b>15,133,270</b>	<b>(292,112)</b>	<b>14,841,158</b>
<b>Change in net assets</b>					<b>(471,995)</b>	<b>194,786</b>	<b>(277,209)</b>
Net assets, beginning					50,003,739	36,497,834	86,501,573
Restatement					-	793,981	793,981
Net assets, restated					50,003,739	37,291,815	87,295,554
<b>Net assets, ending</b>					<b>\$ 49,531,744</b>	<b>37,486,601</b>	<b>87,018,345</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2012

	General Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,657,708	2,223,772	1,476,549	10,358,029
Restricted Cash	1,271,385	-	-	1,271,385
Investments	461,282	-	-	461,282
Due from other funds	-	-	-	-
Receivable from other governments	2,084,378	295,872	14,710	2,394,960
Other receivables	4,270	-	58,678	62,948
<b>Total assets</b>	<b>\$ 10,479,023</b>	<b>2,519,644</b>	<b>1,549,937</b>	<b>14,548,604</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 272,974	23,146	95,427	391,547
Accrued payroll expenses	209,182	-	4,975	214,157
<b>Total liabilities</b>	<b>482,156</b>	<b>23,146</b>	<b>100,402</b>	<b>605,704</b>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	1,275,386	-	1,001,949	2,277,335
Committed	-	-	-	-
Assigned	-	2,496,498	447,586	2,944,084
Unassigned	8,721,481	-	-	8,721,481
<b>Total fund balances</b>	<b>9,996,867</b>	<b>2,496,498</b>	<b>1,449,535</b>	<b>13,942,900</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,479,023</b>	<b>2,519,644</b>	<b>1,549,937</b>	<b>14,548,604</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
Year Ended June 30, 2012**

	<u>Governmental Activities</u>
<b>Total Fund Balance Governmental Funds Governmental Funds Balance Sheet</b>	\$ 13,942,900
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	94,093,348
Accumulated depreciation	<u>(47,957,833)</u>
<b>Total capital assets</b>	<u>46,135,515</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)	(8,549,859)
Compensated absences payable	<u>(357,499)</u>
<b>Total long-term and other liabilities</b>	<u>(8,907,358)</u>
The liability recorded for the year ended June 30, 2012 related to postemployment benefits obligation is:	<u>(1,856,787)</u>
The Statement of Net Assets reflect property tax receivables on the full accrual method while the governmental funds receivables reflect only the balance that is considered to be a current economic resource	217,474
<b>Net assets governmental activities (Statement of Net Assets)</b>	<u><u>\$ 49,531,744</u></u>

*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, 2012**

	General Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Sales and miscellaneous taxes	\$ 11,051,080	1,741,765	589,740	13,382,585
Fees and fines	69,997	-	-	69,997
Licenses and permits	100,114	-	-	100,114
Intergovernmental	212,629	133,264	1,100,175	1,446,068
Charges for Services	1,292,081	-	186,339	1,478,420
Investment earnings	-	-	694	694
Miscellaneous	236,370	-	11,598	247,968
<b>Total revenues</b>	<b>12,962,271</b>	<b>1,875,029</b>	<b>1,888,546</b>	<b>16,725,846</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,900,176	-	56,432	1,956,608
Public safety	5,943,552	-	555,726	6,499,278
Public works	926,843	-	67,585	994,428
Health and welfare	-	-	627,924	627,924
Culture and recreation	3,511,042	-	63,234	3,574,276
Equity transfers out	-	-	162,237	162,237
<b>Debt service</b>				
Principal	-	-	1,049,977	1,049,977
Interest and other charges	-	-	298,725	298,725
Capital outlay	1,913,281	677,566	22,772	2,613,619
<b>Total expenditures</b>	<b>14,194,894</b>	<b>677,566</b>	<b>2,904,612</b>	<b>17,777,072</b>
Excess (deficiency) of revenues over (under) expenditures before other financings sources (uses)	(1,232,623)	1,197,463	(1,016,066)	(1,051,226)
<b>Other Financing Sources (Uses)</b>				
Legislative appropriations	1,022,903	-	-	1,022,903
Transfers, in	486,887	-	1,047,625	1,534,512
Transfers, out	(642,557)	(565,500)	(64,809)	(1,272,866)
<b>Total other financing sources (uses)</b>	<b>867,233</b>	<b>(565,500)</b>	<b>982,816</b>	<b>1,284,549</b>
<b>Net change in fund balances</b>	<b>(365,390)</b>	<b>631,963</b>	<b>(33,250)</b>	<b>233,323</b>
Fund balances, beginning of year	10,362,257	1,864,535	1,482,785	13,709,577
<b>Fund balances, end of year</b>	<b>\$ 9,996,867</b>	<b>2,496,498</b>	<b>1,449,535</b>	<b>13,942,900</b>

See Notes to Financial Statements.



STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

<b>Net Change in Fund Balances - Total Governmental Funds (Statement of Revenue, Expenditures, and Changes in Fund Balances)</b>	<u>\$ 233,323</u>
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	(23,946)
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	1,049,414
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, 2011 to June 30, 2012 is:	(333,384)
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	2,614,182
Depreciation expense	<u>(4,229,058)</u>
Excess (deficiency) of capital outlay over depreciation expense and loss on asset disposal	(1,614,876)
Revenue in the Statement of Activities that do not provide current financial resources are not recorded as revenue in the funds	217,474
<b>Change in net assets governmental activities</b>	<u>\$ (471,995)</u>

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, 2012

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 11,244,652	11,244,652	11,051,080	(193,572)
Licenses and permits	109,936	109,936	100,114	(9,822)
Intergovernmental	282,175	282,175	212,629	(69,546)
Charges for services	1,348,196	1,348,196	1,292,081	(56,115)
Fines and forfeitures	116,786	116,786	69,997	(46,789)
Miscellaneous	95,661	95,661	214,100	118,439
Interest	-	-	-	-
<b>Total revenues</b>	<b>13,197,406</b>	<b>13,197,406</b>	<b>12,940,001</b>	<b>(257,405)</b>
Expenditures				
General government	2,047,907	2,123,605	1,757,696	365,909
Public Safety	6,137,503	6,155,377	5,943,552	211,825
Highways and streets	886,617	874,255	926,843	(52,588)
Culture and recreation	3,827,305	3,814,022	3,511,042	302,980
Capital outlay	5,268,769	5,351,256	1,913,281	3,437,975
<b>Total expenditures</b>	<b>18,168,101</b>	<b>18,318,515</b>	<b>14,052,414</b>	<b>4,266,101</b>
Other financing sources				
Legislative appropriations	3,912,239	3,912,239	1,022,903	(2,889,336)
Operating transfers in	319,589	319,589	486,887	167,298
Operating transfers out	(583,507)	(583,507)	(642,557)	(59,050)
<b>Total other financing sources</b>	<b>3,648,321</b>	<b>3,648,321</b>	<b>867,233</b>	<b>(2,781,088)</b>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (1,322,374)	(1,472,788)	(245,180)	1,227,608
Change in accounts receivable			22,270	
Change in accounts payable			(83,696)	
Change in accrued liabilities			(58,784)	
GAAP change in fund balance			\$ (365,390)	

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, 2012

	Infrastructure Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,858,465	1,858,465	1,792,499	(65,966)
Intergovernmental	-	133,264	133,264	-
<b>Total revenues</b>	<u>1,858,465</u>	<u>1,991,729</u>	<u>1,925,763</u>	<u>(65,966)</u>
Expenditures				
General government	-	-	-	-
Highways and streets	-	-	-	-
Capital outlay	1,074,645	1,223,401	654,420	568,981
<b>Total expenditures</b>	<u>1,074,645</u>	<u>1,223,401</u>	<u>654,420</u>	<u>568,981</u>
Other financing sources				
Operating transfers in (out)	(637,005)	(637,005)	(565,500)	71,505
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>146,815</u>	<u>131,323</u>	705,843	<u>574,520</u>
Change in accounts receivable			(50,734)	
Change in accounts payable			<u>(23,146)</u>	
GAAP change in fund balance			<u>\$ 631,963</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS  
June 30, 2012**

	Enterprise Funds			Total
	Water Sewer Fund	Solid Waste Fund	Transportation Fund	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 1,163,396	1,949,765	-	3,113,161
Restricted cash	199,420	-	-	199,420
Investments	200,000	-	-	200,000
Accounts receivable	329,292	174,074	-	503,366
Due from agencies	585,328	218,069	-	803,397
Inventories	46,770	-	-	46,770
<b>Total current assets</b>	<b>2,524,206</b>	<b>2,341,908</b>	<b>-</b>	<b>4,866,114</b>
Noncurrent Assets				
Investments	40,000	200,000	-	240,000
Capital assets	81,229,362	4,309,617	-	85,538,979
Less accumulated depreciation	(22,837,007)	(2,996,170)	-	(25,833,177)
<b>Total noncurrent assets</b>	<b>58,432,355</b>	<b>1,513,447</b>	<b>-</b>	<b>59,945,802</b>
<b>Total assets</b>	<b>\$ 60,956,561</b>	<b>3,855,355</b>	<b>-</b>	<b>64,811,916</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 54,974	33,466	-	88,440
Salaries payable	16,475	13,886	-	30,361
Customer deposits	239,420	-	-	239,420
Interest payable	473,895	-	-	473,895
Due to other funds	-	-	-	-
Current portion of debt	1,624,991	69,032	-	1,694,023
<b>Total current liabilities</b>	<b>2,409,755</b>	<b>116,384</b>	<b>-</b>	<b>2,526,139</b>
Non-Current Liabilities				
Compensated absences	2,319	3,260	-	5,579
Post-closure landfill costs	-	568,306	-	568,306
Bonds, notes, loans and capital leases	24,225,291	-	-	24,225,291
<b>Total non-current liabilities</b>	<b>24,227,610</b>	<b>571,566</b>	<b>-</b>	<b>24,799,176</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	32,562,945	1,273,748	-	33,836,693
Unrestricted	1,756,251	1,893,657	-	3,649,908
<b>Total net assets</b>	<b>34,319,196</b>	<b>3,167,405</b>	<b>-</b>	<b>37,486,601</b>
<b>Total liabilities and net assets</b>	<b>\$ 60,956,561</b>	<b>3,855,355</b>	<b>-</b>	<b>64,811,916</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND  
NET ASSETS - PROPRIETARY FUNDS  
Year Ended June 30, 2012**

	Enterprise Funds			Total
	Water Sewer Fund	Solid Waste Fund	Transportation Fund	
Revenues				
Charges for Services	\$ 6,111,429	2,162,858	-	8,274,287
Intergovernmental	-	382,186	-	382,186
Miscellaneous	90,859	316,637	-	407,496
<b>Total operating revenues</b>	<b>6,202,288</b>	<b>2,861,681</b>	<b>-</b>	<b>9,063,969</b>
Operating Expenses				
Personal services	1,032,842	774,124	-	1,806,966
Non-payroll expenses	3,008,202	775,771	155,768	3,939,741
Depreciation	2,317,034	105,834	-	2,422,868
<b>Total operating expenses</b>	<b>6,358,078</b>	<b>1,655,729</b>	<b>155,768</b>	<b>8,169,575</b>
Operation income (loss)	(155,790)	1,205,952	(155,768)	894,394
Non-Operating Revenues (Expenses)				
Interest and investment revenue	2,928	1,444	-	4,372
Interest expense	(438,658)	(3,676)	-	(442,334)
<b>Total non-operating revenue (expenses)</b>	<b>(435,730)</b>	<b>(2,232)</b>	<b>-</b>	<b>(437,962)</b>
Income (loss) before contributions and transfers	(591,520)	1,203,720	(155,768)	456,432
Transfers				
Transfers, in	60,610	-	-	60,610
Transfers, out	(118,658)	(15,987)	(187,611)	(322,256)
<b>Change in net assets</b>	<b>(649,568)</b>	<b>1,187,733</b>	<b>(343,379)</b>	<b>194,786</b>
Net assets, beginning of year	34,174,783	1,979,672	343,379	36,497,834
Restatement	793,981	-	-	793,981
Net assets, restated	34,968,764	1,979,672	343,379	37,291,815
<b>Net assets, end of year</b>	<b>\$ 34,319,196</b>	<b>3,167,405</b>	<b>-</b>	<b>37,486,601</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
Year Ended June 30, 2012**

	Water Sewer Fund	Solid Waste Fund	Transportation Fund	Total
<b>Cash Flows From Operating Activities</b>				
Cash received from customers and others	\$ 5,447,629	2,040,099	-	7,487,728
Cash paid for goods and services	(3,375,127)	(775,771)	-	(4,150,898)
Cash paid to employees	(1,158,606)	(774,124)	-	(1,932,730)
Other expenses	-	-	(215)	(215)
<b>Net cash provided (used) by operating activities</b>	<b>913,896</b>	<b>490,204</b>	<b>(215)</b>	<b>1,403,885</b>
<b>Cash Flows From Investing Activities</b>				
Purchases of capital assets	(773,866)	(459,903)	-	(1,233,769)
Proceeds from sale of capital assets	70,251	-	-	70,251
<b>Net cash used by investing activities</b>	<b>(703,615)</b>	<b>(459,903)</b>	<b>-</b>	<b>(1,163,518)</b>
<b>Cash Flows From Non-Capital Financing Activities Operating transfers, net</b>				
	(58,048)	(15,987)	-	(74,035)
<b>Cash Flows From Capital and Related Financing Activities</b>				
Debt proceeds	-	-	-	-
Debt payment	(1,215,005)	(73,093)	-	(1,288,098)
Activities transfers, net	-	-	(187,611)	(187,611)
Interest paid	(438,658)	(3,676)	-	(442,334)
<b>Net cash used by capital and related financing activities</b>	<b>(1,653,663)</b>	<b>(76,769)</b>	<b>(187,611)</b>	<b>(1,918,043)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,501,430)</b>	<b>(62,455)</b>	<b>(187,826)</b>	<b>(1,751,711)</b>
Cash and restricted cash and cash equivalents, beginning of year	2,864,246	2,012,220	187,826	5,064,292
<b>Cash and restricted cash and cash equivalents, end of year</b>	<b>\$ 1,362,816</b>	<b>1,949,765</b>	<b>-</b>	<b>3,312,581</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating income (loss)	\$ (591,520)	1,203,720	(155,768)	456,432
<b>Noncash items</b>				
Disposition of capital asset	-	-	126,329	126,329
Prior period restatement	793,981	-	-	793,981
<b>Adjustments to operating income</b>				
Depreciation expense	2,317,034	105,834	-	2,422,868
Accounts receivable	1,068,523	420,642	35,570	1,524,735
Due from other funds	(1,649,521)	(218,069)	-	(1,867,590)
Inventory	(3,621)	-	-	(3,621)
Accounts payable	(176,867)	(698,783)	(6,346)	(881,996)
Meter deposit	10,400	-	-	10,400
Accrued liabilities	(852,955)	(13,263)	-	(866,218)
Compensated absences	(1,558)	3,609	-	2,051
Post closure landfill liability	-	(313,486)	-	(313,486)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 913,896</b>	<b>490,204</b>	<b>(215)</b>	<b>1,403,885</b>

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, 2012**

**ASSETS**

Cash and cash equivalents	\$	1,030,139
Due from other agencies		<u>252,511</u>
<b>Total assets</b>	<b>\$</b>	<b><u><u>1,282,650</u></u></b>

**LIABILITIES**

Accounts payable	\$	59,751
Accrued liabilities		20,635
Due to other funds		<u>1,202,264</u>
<b>Total liabilities</b>	<b>\$</b>	<b><u><u>1,282,650</u></u></b>

See Notes to Financial Statements.

## **BASIC FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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, 2012**

**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, a special revenue 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.

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, Law Enforcement Protection, Local Government Correction, Police, 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, 2012**

**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 measurable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, and amounts collected within 60 days after year end).

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**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, 2012 was \$741,059.

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

**E. Budgetary Information**

Budgets are adopted on a non-GAAP budgetary basis, 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 2012 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, 2012**

**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, 2012**

**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, 2012**

**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.

**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.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

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

**P. Fund Balance (Continued)**

- 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.

**R. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**NOTE 3. DEPOSITS AND INVESTMENTS**

**A. Cash and Investments**

As of June 30, 2012, the Village had the following investments:

	<u>Fair Value</u>	<u>Weighted Maturity Average (Months)</u>
Certificates of deposit – Governmental	\$ 461,282	9.60
Certificates of deposit – Enterprise	440,000	9.89

**B. Interest Rate Risk**

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

**C. Credit Risk**

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

**D. Concentration of Credit Risk**

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

**E. Custodial Credit Risk**

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

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

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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

**E. Custodial Credit Risk (Continued)**

The Village is required to obtain from each bank that is a depository for public funds, pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). The pledged collateral is stated at market value as of June 30, 2012.

**NOTE 4. RECEIVABLES**

Receivables as of June 30, 2012 consisted of the following. All receivables as of June 30, 2012 were deemed to be fully collectible.

	<u>General Fund</u>	<u>Infrastructure Fund</u>	<u>Other Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Receivables:					
Trade Accounts	\$ -	-	-	1,306,763	1,306,763
Taxes	2,084,378	295,872	14,710	-	2,394,960
Other	4,270	-	58,678	-	62,948
	<hr/>				
Total receivables	\$ 2,088,648	295,872	73,388	1,306,763	3,764,671

**STATE OF NEW MEXICO**  
**VILLAGE OF LOS LUNAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2012**

**NOTE 5. CAPITAL ASSETS**

A summary of changes in capital assets follows:

Governmental Activities	Balance June 30, 2011	Additions	Transfers/ Deletions	Adjustments	Balance June 30, 2012
Capital assets not being depreciated					
Land	\$ 7,036,421	-	-	(4,562,492)	2,473,929
Construction in progress	3,649,718	210,648	(3,649,718)	-	210,648
<b>Total capital assets not being depreciated</b>	<b>10,686,139</b>	<b>210,648</b>	<b>(3,649,718)</b>	<b>(4,562,492)</b>	<b>2,684,577</b>
Capital assets being depreciated					
Land improvements	-	416,070	-	4,562,492	4,978,562
Buildings and improvements	16,030,878	82,993	-	-	16,113,871
Vehicles	4,251,555	287,861	(164,178)	-	4,375,238
Machinery and equipment	3,690,112	49,854	(20,228)	-	3,719,738
Capital leases	154,290	406,563	-	-	560,853
Infrastructure	56,850,598	4,809,911	-	-	61,660,509
<b>Total capital assets being depreciated</b>	<b>80,977,433</b>	<b>6,053,252</b>	<b>(184,406)</b>	<b>4,562,492</b>	<b>91,408,771</b>
<b>Total capital assets</b>	<b>91,663,572</b>	<b>6,263,900</b>	<b>(3,834,124)</b>	<b>-</b>	<b>94,093,348</b>
Less accumulated depreciation for					
Land improvements	-	(388,656)	-	(1,963,427)	(2,352,083)
Buildings and improvements	(6,325,799)	(484,487)	-	2,102,170	(4,708,116)
Vehicles	(3,341,375)	(262,849)	164,178	(362,243)	(3,802,289)
Machinery and equipment	(2,241,850)	(257,439)	20,228	(156,612)	(2,635,673)
Capital leases	(712,099)	(71,458)	-	634,954	(148,603)
Infrastructure	(31,292,058)	(2,764,169)	-	(254,842)	(34,311,069)
<b>Total accumulated depreciation</b>	<b>(43,913,181)</b>	<b>(4,229,058)</b>	<b>184,406</b>	<b>-</b>	<b>(47,957,833)</b>
<b>Total capital assets being depreciated, net</b>	<b>37,064,252</b>	<b>1,824,194</b>	<b>-</b>	<b>4,562,492</b>	<b>43,450,938</b>
<b>Governmental activities Capital assets, net</b>	<b>\$ 47,750,391</b>	<b>2,034,842</b>	<b>(3,649,718)</b>	<b>-</b>	<b>46,135,515</b>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2012**

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

A summary of changes in capital assets follows:

Business-Type Activities	Balance June 30, 2011	Additions	Transfers/ Deletions	Adjustments	Balance June 30, 2012
Capital assets not being depreciated					
Land	\$ 1,218,899	-	-	(11,671)	1,207,228
Construction in progress	793,981	-	(793,981)	-	-
Water rights	3,434,089	-	-	-	3,434,089
<b>Total capital assets not being depreciated</b>	<b>5,446,969</b>	<b>-</b>	<b>(793,981)</b>	<b>(11,671)</b>	<b>4,641,317</b>
Capital assets being depreciated					
Land improvements	-	-	-	11,671	11,671
Buildings and improvements	18,290,475	1,246,981	-	-	19,537,456
Vehicles	3,854,753	77,717	(442,655)	-	3,489,815
Machinery and equipment	863,600	30,000	(7,766)	-	885,834
Water/sewer plant	56,299,833	673,053	-	-	56,972,886
Landfill Open/Close in Progress	70,814	-	(70,814)	-	-
<b>Total capital assets being depreciated</b>	<b>79,379,475</b>	<b>2,027,751</b>	<b>(521,235)</b>	<b>11,671</b>	<b>80,897,662</b>
<b>Total capital assets</b>	<b>84,826,444</b>	<b>2,027,751</b>	<b>(1,315,216)</b>	<b>-</b>	<b>85,538,979</b>
Less accumulated depreciation for					
Land improvements	-	(584)	-	(7,877)	(8,461)
Buildings and improvements	(614,065)	(562,194)	-	(5,371)	(1,181,630)
Vehicles	(3,278,794)	(79,746)	442,655	(375,869)	(3,291,754)
Machinery and equipment	(1,021,694)	(67,218)	7,766	274,698	(806,448)
Water/sewer plant	(18,819,847)	(1,839,456)	-	114,419	(20,544,884)
<b>Total accumulated depreciation</b>	<b>(23,734,400)</b>	<b>(2,549,198)</b>	<b>450,421</b>	<b>-</b>	<b>(25,833,177)</b>
<b>Total capital assets being depreciated, net</b>	<b>55,645,075</b>	<b>(521,447)</b>	<b>(70,814)</b>	<b>11,671</b>	<b>55,064,485</b>
<b>Business-type activities Capital assets, net</b>	<b>\$ 61,092,044</b>	<b>(521,447)</b>	<b>(864,795)</b>	<b>-</b>	<b>59,705,802</b>

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

<b>Governmental activities</b>		<b>Business-type activities</b>	
General government	\$ 604,436	Water/Sewer	\$ 2,443,364
Public safety	279,237	Solid Waste	105,834
Highways and streets	2,866,893		<u>\$ 2,549,198</u>
Culture and recreation	460,141		
Health and welfare	18,351		
	<u>\$ 4,229,058</u>		

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**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
2013	\$ 45,000	17,148
2014	47,000	15,010
2015	49,000	12,778
2016	52,000	10,450
2017	54,000	7,980
2018 - 2019	114,000	8,123
Total	<u>\$ 361,000</u>	<u>71,489</u>

**Gross Receipts Tax Revenue Bonds - Government**

	Principal	Interest
2013	\$ 650,000	198,625
2014	675,000	175,225
2015	700,000	150,250
2016	725,000	123,650
2017	750,000	95,375
2018 - 2019	1,575,000	98,975
Total	<u>\$ 5,075,000</u>	<u>842,100</u>

**Government Notes Payable**

	Principal	Interest
2013	\$ 258,521	80,425
2014	264,273	74,313
2015	270,789	67,843
2016	246,177	61,008
2017	252,715	54,525
2018 – 2022	1,191,998	174,687
2023 – 2027	939,462	56,180
Total	<u>\$ 3,423,935</u>	<u>568,981</u>



STATE OF NEW MEXICO  
 VILLAGE OF LOS LUNAS  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

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

**Enterprise Notes Payable**

	Principal	Interest
2013	\$ 1,451,546	675,978
2014	1,466,998	639,114
2015	1,504,225	601,911
2016	1,542,441	563,720
2017	1,581,671	524,512
2018 – 2022	6,953,382	2,266,967
2023 – 2027	6,145,159	1,175,611
2028 – 2031	4,708,294	332,197
Total	<u>\$ 25,353,716</u>	<u>6,780,010</u>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2012**

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

The changes to long-term debt are as follows:

	Interest Rate	Balance June 30, 2011	Increase	(Decrease)	Balance June 30, 2012	Amounts Due Within One Year
<b>Business-type activities:</b>						
<b>Water and sewer fund</b>						
Wastewater facility construction loan	2.00%	\$ 2,145,903	-	(288,650)	1,857,253	294,423
Valencia waterline loan (89-17)	3.00%	41,015	-	(20,205)	20,810	20,810
Drinking water state revolving loan	2.54%	2,165,199	-	(194,443)	1,970,756	199,813
Clean water state revolving loan	2.00%	2,527,979	-	(146,182)	2,381,797	149,105
Clean water state revolving loan 2008	3.00%	15,925,457	-	(592,678)	15,332,779	610,457
Joint water & sewer system revenue bond	4.75%	404,000	-	(43,000)	361,000	45,000
NMFA drinking water loan	2.00%	3,963,777	-	(173,459)	3,790,318	176,937
Equipment lease	Various	310,310	-	(195,613)	114,697	107,576
Compensated absences		24,747	34,558	(36,116)	23,189	20,870
<b>Total water and sewer fund</b>		<b>27,508,387</b>	<b>34,558</b>	<b>(1,690,346)</b>	<b>25,852,599</b>	<b>1,624,991</b>
<b>Solid Waste Fund</b>						
Equipment lease	Various	116,468	-	(76,769)	39,699	39,699
Compensated absences		28,984	27,271	(23,660)	32,595	29,333
<b>Total solid waste fund</b>		<b>145,452</b>	<b>27,271</b>	<b>(100,429)</b>	<b>72,294</b>	<b>69,032</b>
<b>Total business-type activities</b>		<b>\$ 27,653,839</b>	<b>61,829</b>	<b>(1,790,775)</b>	<b>25,924,893</b>	<b>1,694,023</b>
<b>Governmental Activities</b>						
2003-A gross receipts tax	4.20%	\$ 5,075,000	-	-	5,075,000	650,000
2003-B gross receipts tax	4.00%	725,000	-	(725,000)	-	-
NMED loan	2.00%	2,592,919	-	(139,111)	2,453,808	141,892
USDA loan	4.38%	600,000	-	(96,740)	503,260	55,844
NMFA Police Vehicles	1.78%	118,267	-	(28,900)	89,367	29,284
NMFA Fire Truck	3.01%	406,000	-	(28,500)	377,500	31,500
Equipment lease	Various	82,087	-	(31,163)	50,924	33,489
Compensated absences		333,553	320,621	(296,675)	357,499	321,750
<b>Total governmental activities</b>		<b>9,932,826</b>	<b>320,621</b>	<b>(1,346,089)</b>	<b>8,907,358</b>	<b>1,263,759</b>
<b>Grand total long-term debt</b>		<b>\$ 37,586,665</b>	<b>382,450</b>	<b>(3,136,864)</b>	<b>34,832,251</b>	<b>2,957,782</b>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**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 <u>Activities</u>	Enterprise <u>Fund</u>
2013	\$ 35,424	149,723
2014	19,712	7,234
Total lease payments	55,136	156,957
Less Interest	(4,212)	(2,561)
Total	\$ 50,924	154,396

**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.

<b>Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
<b>Governmental Funds:</b>		
General Fund	\$ 486,887	642,557
Infrastructure	-	565,500
Local DWI Grant	121,000	4,199
<b>Capital Projects Fund:</b>		
Municipal Street Improvement	-	60,610
<b>Debt Service Funds:</b>		
2003A GRT Revenue	410,575	-
2003B GRT Revenue	516,050	-
<b>Enterprise Funds:</b>		
Water Sewer	60,610	118,658
Solid Waste	-	15,987
Transportation	-	187,611
Total	\$ 1,595,122	1,595,122

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012**

**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.

**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 \$568,306 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](http://www.pera.state.nm.us).

**Funding Policy.** Plan members are required to contribute from 13.15% to 16.30% (ranges from 3.83% to 16.65% 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% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 10. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
(CONTINUED)**

contribution requirements of plan members and the Village 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, 2012, 2011 and 2010 were \$791,092, \$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.

**NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN**

**Plan Description.** The Village's 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 2012, the Village contributed \$219,589 to the Plan. Plan members receiving benefits contributed \$42,583 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	-
Annual OPEB cost	595,559
Contributions made	<u>(262,172)</u>
Increase in net OPEB obligation	333,387
Net OPEB obligation, beginning of year	<u>1,523,400</u>
Net OPEB obligation, end of year	<u>\$ 1,856,787</u>

STATE OF NEW MEXICO  
 VILLAGE OF LOS LUNAS  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

**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 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$ 595,559	42.9%	\$ 1,218,361
6/30/11	595,559	48.8%	1,523,400
6/30/12	595,559	32.1%	1,856,787

*Funded Status and Funding Progress.* As of June 30, 2012, 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, 2012**

**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 was to be effective July 1, 2011 and would document recognition and approval of SCHA to operating within its boundaries for the purpose of providing affordable housing programs. All necessary filings were completed with the U.S. Department of Housing and Urban Development (HUD) effective April 1, 2012. During the fiscal year, SCHA operated the housing program; however, the Village remained responsible for funding and expenditure of the program until the official effective date of transfer by HUD.

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

**NOTE 14. DEFICIENCY OF ACTUAL EXPENDITURES OVER BUDGET**

The budgetary comparison schedules presented as supplementary information to the financial statements reported expenditures in excess budgeted balances for the following funds:

Fund	Budgeted Expenditures (Final Budget)	Actual Expenditures (Non-GAAP Budgetary Basis)	Deficiency (Expenditures in Excess of Budget)
Transportation	\$ -	159,499	159,499
Section 8 Housing	\$ -	790,161	790,161
Law Enforcement	\$ 39,800	47,906	8,106

**NOTE 15. PRIOR PERIOD ADJUSTMENT**

Payments of accrued interest of approximately \$793,981 capitalized in FY2010 related to a capital project were paid in FY2011. It was identified that payment of the interest resulted in reported expenditures for FY2011 rather than through reduction of the related liability causing FY2011 fund balance to be understated and related accrued interest payable to be overstated. As a result, a prior period adjustment was made to correct the error. Restatement of fund balance is as follows:

**Water Sewer Fund (Enterprise Fund)**

Net Assets, 6/30/2011	\$ 34,174,783
Prior Period Adjustment	<u>793,981</u>
Net Assets, 6/30/2011, restated	<u>\$ 34,968,764</u>



**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NON-MAJOR FUNDS  
June 30, 2012**

**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.

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.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NON-MAJOR FUNDS  
June 30, 2012**

**Special Revenue Funds (Continued)**

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 (29)

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  
June 30, 2012**

**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, 2012

	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
<b>ASSETS</b>										
Cash and cash equivalents	\$ 77,809	-	7,329	256,023	6,163	80,971	-	722	276,573	705,590
Investments	-	-	-	-	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-	-	-	14,710	14,710
Other Receivables	16,300	-	-	-	-	-	-	-	-	16,300
<b>Total assets</b>	<b>\$ 94,109</b>	<b>-</b>	<b>7,329</b>	<b>256,023</b>	<b>6,163</b>	<b>80,971</b>	<b>-</b>	<b>722</b>	<b>291,283</b>	<b>736,600</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>LIABILITIES</b>										
Accounts payable	\$ 662	-	-	616	-	4,130	-	-	2,858	8,266
Due to other funds	-	-	-	-	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-	-	-	4,975	4,975
<b>Total liabilities</b>	<b>662</b>	<b>-</b>	<b>-</b>	<b>616</b>	<b>-</b>	<b>4,130</b>	<b>-</b>	<b>-</b>	<b>7,833</b>	<b>13,241</b>
<b>FUND BALANCES (DEFICIT)</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	93,447	-	7,329	255,407	6,163	76,841	-	722	283,450	723,359
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>93,447</b>	<b>-</b>	<b>7,329</b>	<b>255,407</b>	<b>6,163</b>	<b>76,841</b>	<b>-</b>	<b>722</b>	<b>283,450</b>	<b>723,359</b>
<b>Total liabilities and fund balances</b>	<b>\$ 94,109</b>	<b>-</b>	<b>7,329</b>	<b>256,023</b>	<b>6,163</b>	<b>80,971</b>	<b>-</b>	<b>722</b>	<b>291,283</b>	<b>736,600</b>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS (CONTINUED)  
June 30, 2012

	Municipal Street Improvement	Total Capital Projects	2003A Gross Receipts Tax Revenue Bond	2003B Gross Receipts Tax Revenue Bond	Total Debt Service	Total Other Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 492,369	492,369	278,590	-	278,590	1,476,549
Investments	-	-	-	-	-	-
Taxes receivable, net	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	14,710
Other Receivables	42,378	42,378	-	-	-	58,678
<b>Total assets</b>	<b>\$ 534,747</b>	<b>534,747</b>	<b>278,590</b>	<b>-</b>	<b>278,590</b>	<b>1,549,937</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 87,161	87,161	-	-	-	95,427
Due to other funds	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	4,975
<b>Total liabilities</b>	<b>87,161</b>	<b>87,161</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,402</b>
<b>FUND BALANCES (DEFICIT)</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	278,590	-	278,590	1,001,949
Committed	-	-	-	-	-	-
Assigned	447,586	447,586	-	-	-	447,586
Unassigned	-	-	-	-	-	-
<b>Total fund balances</b>	<b>447,586</b>	<b>447,586</b>	<b>278,590</b>	<b>-</b>	<b>278,590</b>	<b>1,449,535</b>
<b>Total liabilities and fund balances</b>	<b>\$ 534,747</b>	<b>534,747</b>	<b>278,590</b>	<b>-</b>	<b>278,590</b>	<b>1,549,937</b>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS  
Year Ended June 30, 2012**

	Lodger's Tax	Section 8 Housing	Fire Fund	Recreation Fund	Police Program	Local Government Correction	Law Enforcement Protection	Emergencny Medical Service	Local DWI	Total Special Revenue
Revenues										
Sales and miscellaneous taxes	\$ 53,799	-	-	3,258	-	-	-	-	-	57,057
Intergovernmental	-	470,208	106,436	-	9,808	-	39,800	9,086	464,837	1,100,175
Charges for Services	-	61,254	-	91,780	-	33,305	-	-	-	186,339
Investment earnings	139	-	-	-	-	139	-	-	-	278
Miscellaneous	-	850	2,642	-	-	-	8,106	-	-	11,598
<b>Total revenues</b>	<b>53,938</b>	<b>532,312</b>	<b>109,078</b>	<b>95,038</b>	<b>9,808</b>	<b>33,444</b>	<b>47,906</b>	<b>9,086</b>	<b>464,837</b>	<b>1,355,447</b>
Expenditures										
Current										
General government	56,432	-	-	-	-	-	-	-	-	56,432
Public safety	-	-	57,148	-	12,376	54,917	-	8,364	422,921	555,726
Public works	-	-	-	-	-	-	-	-	-	-
Health and welfare	-	627,924	-	-	-	-	-	-	-	627,924
Culture and recreation	-	-	-	63,234	-	-	-	-	-	63,234
Equity transfers out	-	162,237	-	-	-	-	-	-	-	162,237
Debt service										
Principal	-	-	28,500	-	-	-	28,825	-	-	57,325
Interest and other charges	-	-	13,459	-	-	-	2,085	-	-	15,544
Capital outlay	-	-	-	13,882	-	-	8,890	-	-	22,772
<b>Total expenditures</b>	<b>56,432</b>	<b>790,161</b>	<b>99,107</b>	<b>77,116</b>	<b>12,376</b>	<b>54,917</b>	<b>39,800</b>	<b>8,364</b>	<b>422,921</b>	<b>1,561,194</b>
Excess (deficiency) of revenues over (under) expenditures	(2,494)	(257,849)	9,971	17,922	(2,568)	(21,473)	8,106	722	41,916	(205,747)
Other Financing Sources (Uses)										
Transfers, in	-	-	-	-	-	-	-	-	121,000	121,000
Transfers, out	-	-	-	-	-	-	-	-	(4,199)	(4,199)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>116,801</b>	<b>116,801</b>
<b>Net change in fund balances</b>	<b>(2,494)</b>	<b>(257,849)</b>	<b>9,971</b>	<b>17,922</b>	<b>(2,568)</b>	<b>(21,473)</b>	<b>8,106</b>	<b>722</b>	<b>158,717</b>	<b>(88,946)</b>
Fund balances, beginning of year	95,941	257,849	(2,642)	237,485	8,731	98,314	(8,106)	-	124,733	812,305
<b>Fund balances, end of year</b>	<b>\$ 93,447</b>	<b>-</b>	<b>7,329</b>	<b>255,407</b>	<b>6,163</b>	<b>76,841</b>	<b>-</b>	<b>722</b>	<b>283,450</b>	<b>723,359</b>

**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, 2012**

	Municipal Street Improvement	Total Capital Projects	2003A Gross Receipts Tax Revenue Bond	2003B Gross Receipts Tax Revenue Bond	Total Debt Service	Total Other Governmental Funds
<b>Revenues</b>						
Sales and miscellaneous taxes	\$ 532,683	532,683	-	-	-	589,740
Intergovernmental	-	-	-	-	-	1,100,175
Charges for Services	-	-	-	-	-	186,339
Investment earnings	394	394	5	17	22	694
Miscellaneous	-	-	-	-	-	11,598
<b>Total revenues</b>	<b>533,077</b>	<b>533,077</b>	<b>5</b>	<b>17</b>	<b>22</b>	<b>1,888,546</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	-	-	-	-	-	56,432
Public safety	-	-	-	-	-	555,726
Public works	67,585	67,585	-	-	-	67,585
Health and welfare	-	-	-	-	-	627,924
Culture and recreation	-	-	-	-	-	63,234
Equity transfers out	-	-	-	-	-	162,237
<b>Debt service</b>						
Principal	267,652	267,652	-	725,000	725,000	1,049,977
Interest and other charges	55,556	55,556	198,625	29,000	227,625	298,725
Capital outlay	-	-	-	-	-	22,772
<b>Total expenditures</b>	<b>390,793</b>	<b>390,793</b>	<b>198,625</b>	<b>754,000</b>	<b>952,625</b>	<b>2,904,612</b>
Excess (deficiency) of revenues over (under) expenditures	142,284	142,284	(198,620)	(753,983)	(952,603)	(1,016,066)
<b>Other Financing Sources (Uses)</b>						
Transfers, in	-	-	410,575	516,050	926,625	1,047,625
Transfers, out	(60,610)	(60,610)	-	-	-	(64,809)
<b>Total other financing sources (uses)</b>	<b>(60,610)</b>	<b>(60,610)</b>	<b>410,575</b>	<b>516,050</b>	<b>926,625</b>	<b>982,816</b>
<b>Net change in fund balances</b>	<b>81,674</b>	<b>81,674</b>	<b>211,955</b>	<b>(237,933)</b>	<b>(25,978)</b>	<b>(33,250)</b>
Fund balances, beginning of year	365,912	365,912	66,635	237,933	304,568	1,482,785
<b>Fund balances, end of year</b>	<b>\$ 447,586</b>	<b>447,586</b>	<b>278,590</b>	<b>-</b>	<b>278,590</b>	<b>1,449,535</b>



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, 2012

	Water Sewer			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Water sales and service	\$ 2,593,839	2,593,839	3,041,527	447,688
Sewer sales and service	3,446,536	3,446,536	3,280,952	(165,584)
Taxes	253,888	253,888	272,146	18,258
Interest	1,763	1,763	2,928	1,165
Miscellaneous	97,119	97,119	90,859	(6,260)
<b>Total revenues</b>	<u>6,393,145</u>	<u>6,393,145</u>	<u>6,688,412</u>	<u>295,267</u>
Expenditures				
Water/sewer - treatment plant	6,245,155	6,284,929	4,917,151	1,367,778
Water/sewer - utility expense	557,534	578,000	598,655	(20,655)
<b>Total expenditures</b>	<u>6,802,689</u>	<u>6,862,929</u>	<u>5,515,806</u>	<u>1,347,123</u>
Other financing sources				
Operating transfers in (out)	<u>(58,048)</u>	<u>(58,048)</u>	<u>(58,048)</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>(467,592)</u>	<u>(527,832)</u>	1,114,558	<u>1,642,390</u>
Depreciation expense			(2,317,034)	
Changes in accounts receivable			(483,195)	
Changes in accounts payable			183,148	
Changes in accrued liabilities			852,955	
GAAP change in net assets			<u>\$ (649,568)</u>	

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR ENTERPRISE FUNDS -  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
Year Ended June 30, 2012

	Solid Waste			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Solid waste sales	\$ 1,981,292	1,981,292	2,332,080	350,788
Intergovernmental	-	-	382,186	382,186
Taxes	378,731	378,731	349,988	(28,743)
Interest	771	771	1,444	673
<b>Total revenues</b>	<u>2,360,794</u>	<u>2,360,794</u>	<u>3,065,698</u>	<u>704,904</u>
Expenditures				
Solid waste expense	3,400,781	3,394,585	2,269,731	1,124,854
<b>Total expenditures</b>	<u>3,400,781</u>	<u>3,394,585</u>	<u>2,269,731</u>	<u>1,124,854</u>
Other financing sources				
Operating transfers in (out)	(15,987)	(15,987)	(15,987)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>(1,055,974)</u>	<u>(1,049,778)</u>	779,980	<u>1,829,758</u>
Depreciation expense			(105,834)	
Changes in accounts receivable			(202,573)	
Changes in accounts payable			702,897	
Changes in accrued liabilities			<u>13,263</u>	
GAAP change in net assets			\$ <u>1,187,733</u>	

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR ENTERPRISE FUNDS -  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
Year Ended June 30, 2012

	Transportation			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ -	-	35,021	35,021
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>35,021</u>	<u>35,021</u>
Expenditures				
General government	-	-	159,499	(159,499)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>159,499</u>	<u>(159,499)</u>
Other financing sources				
Operating transfers out	-	(187,821)	(187,611)	(210)
Operating transfers in	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>(187,821)</u>	<u>(187,611)</u>	<u>(210)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	<u>(187,821)</u>	<u>(312,089)</u>	<u>(124,688)</u>
Changes in accounts receivable			(35,021)	
Changes in accounts payable			3,731	
Changes in accrued liabilities			-	
GAAP change in net assets			<u>\$ (343,379)</u>	

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)  
LODGER'S TAX  
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 58,519	58,519	47,690	(10,829)
Interest	139	139	139	-
<b>Total revenues</b>	<u>58,658</u>	<u>58,658</u>	<u>47,829</u>	<u>(10,829)</u>
Expenditures				
General government	58,000	58,000	56,363	1,637
<b>Total expenditures</b>	<u>58,000</u>	<u>58,000</u>	<u>56,363</u>	<u>1,637</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>658</u>	<u>658</u>	(8,534)	<u>(9,192)</u>
Changes in accounts receivable			6,109	
Changes in accounts payable			(69)	
Changes in accrued liabilities			<u>-</u>	
GAAP change in fund balance			<u>\$ (2,494)</u>	

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)  
SECTION 8 HOUSING  
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ -	-	530,856	530,856
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>530,856</u>	<u>530,856</u>
Expenditures				
Health and welfare	-	-	627,924	(627,924)
Equity transfers out	-	-	162,237	(162,237)
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>790,161</u>	<u>(790,161)</u>
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>-</u>	<u>(259,305)</u>	<u>(259,305)</u>
Changes in accounts receivable			1,456	
Changes in accounts payable			-	
Changes in accrued liabilities			<u>-</u>	
GAAP change in fund balance			<u>\$ (257,849)</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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 86,000	86,000	106,436	20,436
Interest	-	-	-	-
<b>Total revenues</b>	<u>86,000</u>	<u>86,000</u>	<u>106,436</u>	<u>20,436</u>
Expenditures				
Public Safety	36,712	64,477	57,148	7,329
Debt Service	41,959	41,959	41,959	-
<b>Total expenditures</b>	<u>78,671</u>	<u>106,436</u>	<u>99,107</u>	<u>7,329</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>7,329</u>	<u>(20,436)</u>	7,329	<u>27,765</u>
Changes in accounts payable			<u>2,642</u>	
GAAP change in fund balance			<u>\$ 9,971</u>	

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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,046	3,046	3,258	212
Interest	-	-	-	-
Charges for services	86,933	86,933	91,780	4,847
<b>Total revenues</b>	<u>89,979</u>	<u>89,979</u>	<u>95,038</u>	<u>5,059</u>
Expenditures				
Culture and recreation	100,157	98,100	62,618	35,482
Capital outlay	12,930	15,000	13,882	1,118
<b>Total expenditures</b>	<u>113,087</u>	<u>113,100</u>	<u>76,500</u>	<u>36,600</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>(23,108)</u>	<u>(23,121)</u>	18,538	<u>41,659</u>
Changes in accounts receivable			-	
Changes in accounts payable			(616)	
Changes in accrued liabilities			-	
GAAP change in fund balance			<u>\$ 17,922</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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Miscellaneous revenues	\$ -	-	-	-
Intergovernmental	18,000	18,000	9,808	(8,192)
<b>Total revenues</b>	<b>18,000</b>	<b>18,000</b>	<b>9,808</b>	<b>(8,192)</b>
Expenditures				
Public safety	18,572	18,000	12,376	5,624
<b>Total expenditures</b>	<b>18,572</b>	<b>18,000</b>	<b>12,376</b>	<b>5,624</b>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ (572)	-	(2,568)	(2,568)



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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 49,328	49,328	33,305	(16,023)
Interest	139	139	139	-
<b>Total revenues</b>	<u>49,467</u>	<u>49,467</u>	<u>33,444</u>	<u>(16,023)</u>
Expenditures				
Public Safety	68,000	68,000	50,787	17,213
<b>Total expenditures</b>	<u>68,000</u>	<u>68,000</u>	<u>50,787</u>	<u>17,213</u>
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>(18,533)</u>	<u>(18,533)</u>	<u>(17,343)</u>	<u>1,190</u>
Changes in accounts payable			<u>(4,130)</u>	
GAAP change in fund balance			<u>\$ (21,473)</u>	

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)  
LAW ENFORCEMENT PROTECTION  
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Government grants	\$ 39,800	39,800	47,906	8,106
Interest	-	-	-	-
<b>Total revenues</b>	<u>39,800</u>	<u>39,800</u>	<u>47,906</u>	<u>8,106</u>
Expenditures				
Debt service	29,767	29,767	39,016	(9,249)
Capital outlay	10,033	10,033	8,890	1,143
<b>Total expenditures</b>	<u>39,800</u>	<u>39,800</u>	<u>47,906</u>	<u>(8,106)</u>
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in accounts payable			<u>8,106</u>	
GAAP change in fund balance			<u>\$ 8,106</u>	

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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 9,074	9,074	9,086	12
Interest	-	-	-	-
<b>Total revenues</b>	<u>9,074</u>	<u>9,074</u>	<u>9,086</u>	<u>12</u>
Expenditures				
Public safety	8,358	9,086	8,364	722
<b>Total expenditures</b>	<u>8,358</u>	<u>9,086</u>	<u>8,364</u>	<u>722</u>
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>716</u>	<u>(12)</u>	<u>722</u>	<u>734</u>

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, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 377,473	377,473	451,160	73,687
Interest	-	-	-	-
<b>Total revenues</b>	<u>377,473</u>	<u>377,473</u>	<u>451,160</u>	<u>73,687</u>
Expenditures				
Public safety	624,488	624,876	428,784	196,092
<b>Total expenditures</b>	<u>624,488</u>	<u>624,876</u>	<u>428,784</u>	<u>196,092</u>
Other financing sources (uses)				
Operating transfers in (out)	116,801	116,801	116,801	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>(130,214)</u>	<u>(130,602)</u>	<u>139,177</u>	<u>269,779</u>
Changes in accounts receivable			13,677	
Changes in accounts payable			(115)	
Changes in accrued liabilities			<u>5,978</u>	
GAAP change in fund balance			<u>\$ 158,717</u>	

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)  
MUNICIPAL STREET IMPROVEMENT  
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 435,820	435,820	527,194	91,374
Admin revenue	-	-	-	-
Interest	328	328	394	66
<b>Total revenues</b>	<u>436,148</u>	<u>436,148</u>	<u>527,588</u>	<u>91,440</u>
Expenditures				
Public works	33,947	171,733	42,463	129,270
Debt service	226,393	226,393	323,208	(96,815)
<b>Total expenditures</b>	<u>260,340</u>	<u>398,126</u>	<u>365,671</u>	<u>32,455</u>
Other financing sources (uses)				
Operating transfers in (out)	(60,610)	(60,610)	(60,610)	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>115,198</u>	<u>(22,588)</u>	101,307	<u>123,895</u>
Changes in accounts receivable			5,489	
Changes in accounts payable			<u>(25,122)</u>	
GAAP change in fund balance			<u>\$ 81,674</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  
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest revenue	\$ 32	32	5	(27)
<b>Total revenues</b>	<u>32</u>	<u>32</u>	<u>5</u>	<u>(27)</u>
Expenditures				
Debt service	302,075	202,075	198,625	3,450
<b>Total expenditures</b>	<u>302,075</u>	<u>202,075</u>	<u>198,625</u>	<u>3,450</u>
Other financing sources (uses)				
Operating transfers in (out)	302,075	302,075	410,575	108,500
Revenues and other financing sources over (under) expenditures and other financing uses	\$ <u>32</u>	<u>100,032</u>	<u>211,955</u>	<u>111,923</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)  
2003B GROSS RECEIPTS TAX REVENUE BOND  
Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest revenue	\$ 265	265	17	(248)
<b>Total revenues</b>	<u>265</u>	<u>265</u>	<u>17</u>	<u>(248)</u>
Expenditures				
Debt service	587,360	772,360	754,000	18,360
<b>Total expenditures</b>	<u>587,360</u>	<u>772,360</u>	<u>754,000</u>	<u>18,360</u>
Other financing sources (uses)				
Operating transfers in (out)	637,005	637,005	516,050	(120,955)
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 49,910</u>	<u>(135,090)</u>	<u>(237,933)</u>	<u>(102,843)</u>

STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
Year Ended June 30, 2012

	Court Trust Fund	FFS Escrow	Central Solid Waste Authority	Central Dispatch	Municipal Court Bond	Total Agency Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,157	-	749,498	252,643	26,841	1,030,139
Due from other agencies	-	-	8,951	243,560	-	252,511
<b>Total Assets</b>	<b>\$ 1,157</b>	<b>-</b>	<b>758,449</b>	<b>496,203</b>	<b>26,841</b>	<b>1,282,650</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,157	-	6,364	25,389	26,841	59,751
Accrued liabilities	-	-	-	20,635	-	20,635
Due to other funds	-	-	752,085	450,179	-	1,202,264
<b>Total Liabilities</b>	<b>\$ 1,157</b>	<b>-</b>	<b>758,449</b>	<b>496,203</b>	<b>26,841</b>	<b>1,282,650</b>



STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL  
Year Ended June 30, 2012

	Wells Fargo	U.S. Bank	SECU	My Bank	Bank of Albuquerque
<b>Deposits in Bank or Savings and Loan</b>					
Money market	\$ 2,511,334	3,821,453	1,282	-	278,590
Bank deposits (checking)	1,614,788	862,336	-	-	-
Repurchase deposits	5,034,325	-	-	-	-
Certificates of deposit	-	-	100,000	100,000	100,000
	<u>9,160,447</u>	<u>4,683,789</u>	<u>101,282</u>	<u>100,000</u>	<u>378,590</u>
Less: FDIC insurance	1,864,788	1,112,336	101,282	100,000	250,000
<b>Total uninsured public funds</b>	<u>\$ 7,295,659</u>	<u>3,571,453</u>	<u>-</u>	<u>-</u>	<u>128,590</u>
<b>Collateral requirement @ 50%</b>	1,130,667	1,785,727	-	-	64,295
<b>Collateral requirement @ 102%</b>	5,135,012	-	-	-	-
<b>Total required collateralization</b>	<u>6,265,679</u>	<u>1,785,727</u>	<u>-</u>	<u>-</u>	<u>64,295</u>
<b>Pledges and securities</b>					
FH-30 1B8606 CUSIP #3128UG5S2, 2.60%, due 09/01/2041	4,911,603	-	-	-	-
FN AH 1560 CUSIP #3138A2WW5, 4.0%, due 01/01/2041	18,559	-	-	-	-
FN AH6292 CUSIP #3138A77E2, 4.50%, due 04/01/2041	55,709	-	-	-	-
FN AH6438 CUSIP #3138A8EL6, 3.50%, due 02/01/2026	96,152	-	-	-	-
FN AH8121 CUSIP #3138AAAX9, 3.50%, due 03/01/2026	135,322	-	-	-	-
FN AJ3038 CUSIP #3138AULU9, 4.0%, due 10/01/2041	1,968,672	-	-	-	-
FN MA1027 CUSIP #31418AD96, 3.50%, due 04/01/2042	73,420	-	-	-	-
GNMA REMIC 2010-105 BF #38377DZJ8, 1.00%, due 08/20/2040	-	3,999,385	-	-	-
Cavanal Hill US Treasury-Admin FD#0002, 0.01%	-	-	-	-	278,590
GNMA G2 4882 #36202FM78, 4.00%, due 12/20/2040	-	-	-	-	-
GNMA G2 4945 #36202FP67, 4.00%, due 02/20/2041	-	-	-	-	-
Santa Fe Cnty NM Pub 801889LV6, 4.1%, due 07/01/2023	-	-	-	-	-
Total pledged securities	<u>7,259,437</u>	<u>3,999,385</u>	<u>-</u>	<u>-</u>	<u>278,590</u>
Excess (deficiency)	\$ <u>993,758</u>	<u>2,213,658</u>	<u>-</u>	<u>-</u>	<u>214,295</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)

Bank of the West	NMEFCU	New Mexico Bank & Trust	X-press Bill Pay	Total
853,780	-	-	34,119	7,500,558
1,225,967	-	-	-	3,703,091
-	-	-	-	5,034,325
300,000	100,362	200,000	-	900,362
2,379,747	100,362	200,000	34,119	17,138,336
1,475,967	100,362	200,000	34,119	5,238,854
903,780	-	-	-	11,899,482
451,890	-	-	-	3,432,579
-	-	-	-	5,135,012
451,890	-	-	-	8,567,591
-	-	-	-	4,911,603
-	-	-	-	18,559
-	-	-	-	55,709
-	-	-	-	96,152
-	-	-	-	135,322
-	-	-	-	1,968,672
-	-	-	-	73,420
-	-	-	-	3,999,385
-	-	-	-	278,590
1,021,540	-	-	-	1,021,540
64,097	-	-	-	64,097
-	-	461,720	-	461,720
1,085,637	-	461,720	-	13,084,769
633,747	-	461,720	-	4,517,178

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS  
Year Ended June 30, 2012**

	Wells Fargo	US Bank	SECU	My Bank	Bank of Albuquerque
Deposits in Bank or Savings and Loan					
Money Market	\$ 2,511,334	3,821,453	1,282	-	278,590
Bank deposits	1,614,788	862,336	-	-	-
Repurchase deposits	5,034,325	-	-	-	-
Certificates of deposit	-	-	100,000	100,000	100,000
<b>Total bank balance</b>	<b>9,160,447</b>	<b>4,683,789</b>	<b>101,282</b>	<b>100,000</b>	<b>378,590</b>
Reconciling items					
Outstanding checks	(400,062)	(464,789)	-	-	-
Deposits in transit	493,878	57,695	-	-	-
Other adjustments	2,770	170	-	-	-
<b>Total adjustments</b>	<b>96,586</b>	<b>(406,924)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total book balance</b>	<b>9,257,033</b>	<b>4,276,865</b>	<b>101,282</b>	<b>100,000</b>	<b>378,590</b>
Less agency fund balances included in bank balance	1,030,139	-	-	-	-
<b>Total primary government</b>	<b>\$ 8,226,894</b>	<b>4,276,865</b>	<b>101,282</b>	<b>100,000</b>	<b>378,590</b>

Bank of the West	NMEFCU	New Mexico Bank & Trust	X-press Bill Pay	Total
				-
853,780	-	-	34,119	7,500,558
1,225,967	-	-	-	3,703,091
-	-	-	-	5,034,325
300,000	100,362	200,000	-	900,362
2,379,747	100,362	200,000	34,119	17,138,336
-	-	-	-	(864,851)
45,418	-	-	-	596,991
-	-	-	-	2,940
45,418	-	-	-	(264,920)
2,425,165	100,362	200,000	34,119	16,873,416
-	-	-	-	1,030,139
2,425,165	100,362	200,000	34,119	15,843,277

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
Year Ended June 30, 2012**

	Court Trust Fund	FSS Escrow	Central Solid Waste Authority	Central Dispatch	Municipal Court Bond	Total
Assets, July 1, 2011	\$ 1,780	13,131	1,176,509	359,278	28,054	1,578,752
Increase	14,765	-	344,627	1,437,547	-	1,796,939
Decrease	(15,388)	(13,131)	(762,687)	(1,300,622)	(1,213)	(2,093,041)
<b>Assets, June 30, 2012</b>	<b>\$ 1,157</b>	<b>-</b>	<b>758,449</b>	<b>496,203</b>	<b>26,841</b>	<b>1,282,650</b>
Liabilities, July 1, 2011	\$ 1,780	13,131	1,176,509	359,278	28,054	1,578,752
Increase	14,765	-	344,627	1,437,547	-	1,796,939
Decrease	(15,388)	(13,131)	(762,687)	(1,300,622)	(1,213)	(2,093,041)
<b>Liabilities, June 30, 2012</b>	<b>\$ 1,157</b>	<b>-</b>	<b>758,449</b>	<b>496,203</b>	<b>26,841</b>	<b>1,282,650</b>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF JOINT POWERS AGREEMENTS  
June 30, 2012**

Agreement	The City Participates with	Party Responsible for Operation	Description	Period	Cost to City	City Contributions	Audit Responsibility
Rio Metro Regional Transit District	Mid-Region Council of Governments	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, 2012

HUD Line Item #	Account Description	Section 8 Rental Voucher Program 14.871	Shelter Plus Care 14.238
<b>ASSETS</b>			
111	Section 8 Fund Cash	\$	
121	Accounts receivable - PHA projects		
	<b>Total assets</b>	-	-
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
312	Accounts payable, less than 90 days		
321	Accrued wage/payroll taxes payable		
322	Accrued compensated absences		
323	Due to general fund accounts payable - other government		
	<b>Total liabilities</b>	-	-
Fund Balances			
512	Unreserved, undesignated		
	<b>Total fund balance</b>	-	-
	<b>Total liabilities and fund balances</b>	\$ -	-

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
FINANCIAL DATA SCHEDULE (CONTINUED)  
Year Ended June 30, 2012**

HUD Line Item #	Account Description	Section 8 Rental Voucher Program 14.871	Shelter Plus Care 14.238
<b>REVENUES</b>			
706	HUD PHA operating grants	\$ 396,348	135,114
708	Other government grants	-	-
711	Investment income - Unrestricted	-	-
714	Fraud recovery	-	-
715	Other revenue	850	-
	<b>Total revenues</b>	<u>397,198</u>	<u>135,114</u>
<b>EXPENDITURES</b>			
Current			
911	Administrative salaries	19,363	3,782
912	Auditing fees	3,151	615
915	Employee benefit contribution - administrative	6,494	1,268
916	Other operating - administrative	22,238	4,343
962	Other general expenses	-	-
973	Housing assistance payments	441,564	125,106
	<b>Total expenditures</b>	<u>492,810</u>	<u>135,114</u>
1104	Equity Transfer	(162,237)	-
	<b>Revenues over/under expenditures</b>	<u>(257,849)</u>	<u>-</u>
	Fund balances, beginning of year	<u>257,849</u>	<u>-</u>
	<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>-</u>



**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Identification Number	Federal Expenditures
<b>Direct Programs</b>			
U.S. Department of Housing and Urban Development Section 8 Rental Voucher Program	14.871		\$ 492,810
U.S. Department of Housing and Urban Development Shelter Plus Care	14.238		135,114
U.S. Department of Justice Community Oriented Policing Services	16.710		<u>67,495</u>
<b>Total Federal Expenditures</b>			<u>\$ 695,419</u>

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012**

**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.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparison presented as supplemental information of the State of New Mexico Village of Los Lunas (the "Village"), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we as described in the accompanying schedule of findings and questions costs, we identified certain deficiencies that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness as item 2012-02.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the accompanying schedule of findings and questioned costs to be significant deficiencies as items 2011-02 and 2012-01.

#### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is in the accompanying schedule of findings and questioned costs as item 2012-04.

This report is intended solely for the information and use of management, Village Commissioners, others within the entity, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Albuquerque, New Mexico  
December 3, 2012

**INDEPENDENT AUDITOR'S REPORT 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

Compliance

We have audited the State of New Mexico Village of Los Lunas (the "Village") 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 the Village's major federal programs for the year ended June 30, 2012. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and 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 of the Village's compliance with those requirements.

In our opinion, the Village, complied, in all material respects, with the compliance 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance 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 2010-04, 2010-06 and 2012-03.

Internal Control over Compliance

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants

applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-04, 2010-06 and 2012-03. 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.

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 response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, Village Commissioners, others within the entity, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Albuquerque, New Mexico  
December 3, 2012

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
June 30, 2012**

**STATUS OF PRIOR YEAR AUDIT FINDINGS**

2009-05	Late Audit Report	Resolved
2010-03	Improve Information Technology General Controls	Resolved
2010-04	Section 8 Annual Re-Examination - Eligibility	Revised and Repeated
2010-05	Section 8 Overpayment of Rent - Cash Management	Resolved
2010-06	Section 8 Submission of REAC and SEMAP – Reporting	Revised and Repeated
2011-01	Events Reportable to the Office of the State Auditor	Resolved
2011-02	Postemployment Health Care Plan	Revised and Repeated
2011-03	Schedule of Expenditures of Federal Awards	Resolved

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012**

**A. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued Unqualified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted?  Yes  No

***Federal Awards***

Internal control over major programs:

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

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

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

Identification of Major Program

**CFDA Number**

14.871

**Name of Federal Program or Cluster**

Section 8 Housing Choice Vouchers

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

Auditee qualified as low-risk auditee?  Yes  No



**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2012**

**B. FINANCIAL STATEMENT FINDINGS**

**2011-02 Postemployment Health Care Plan (Significant Deficiency) – Revised and Repeated**

**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. The absence of an actuarial determined balance may cause over or under statement of the liability reported on the Statement of Net Assets. Related change in valuation would, furthermore, be inaccurately reflected in the Statement of Activities.

**CAUSE:** The Village was unaware of the requirement for actuarial re-evaluation. Upon receipt of the audit report for fiscal year 2011, the Village did not have adequate time to evaluate an appropriate actuary to perform such procedures prior to the conclusion of the 2012 fiscal year.

**RECOMMENDATION:** It is recommended that the Village continue to provide the necessary information requested by the actuary contracted in the 2013 fiscal year. Upon receipt of the actuarial study, it is recommended that the Village adjust the valuation of future expected benefits.

**MANAGEMENT RESPONSE:** Management concurs with auditor's recommendation. The Village has procured Milliman to conduct the OPEB actuarial study for the Village of Los Lunas. The consulting service agreement has been signed and staff has submitted the required requests for information. The GASB 45 valuation will be completed for next audit with the calculations for the ARC retro dated to July 1, 2012.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2012**

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

**2012-01 Segregation of Duties for Cash Disbursement (Significant Deficiency)**

**CONDITION:** During our evaluation of the internal control structure related to the cash disbursements process we identified that multiple individuals had custody of assets (as they could print checks with the authorized signer's signature included on them) and these employees also had the ability to record transactions in the general ledger.

**CRITERIA:** Adequate internal control standards require that an entity establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization. Each entity shall establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties. The duties to be safeguarded are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

**EFFECT:** Individuals having custody and recordkeeping responsibilities within the same control cycle of cash disbursements is a breakdown in segregation of duties and causes heightened risk for error and or fraudulent activity which could not be prevented or detected in a timely manner. This could result in the loss of assets of the Village.

**CAUSE:** In the process of keeping current on information technologies, the Village utilized a portion of the system that allowed for automatic signature of checks without regard to evaluation on whether that addition resulted in a breakdown in segregation of duties.

**RECOMMENDATION:** The Village should evaluate all individuals with custody of assets that have authorization to post to the general ledger and formulate additional procedures and/or implement safe guards to mitigate this risk.

**MANAGEMENT RESPONSE:** Management has reviewed and concurs with auditor's recommendation. The Finance Officer has directed programmers of the financial software to remove check signing rights for all accounting staff that has access to data entry for accounts payable and payroll. The Village Administrator or assigned designee will process accounts payable and payroll checks. The processing of checks will continue to be logged in a check register with employee signature, and date and time of check run.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2012**

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

**2012-02 Prior Period Adjustment – Interest Expense (Material Weakness)**

**CONDITION:** Through the course of the audit and in working with management, it was identified that interest on a construction project (and related payable of that interest) was capitalized during fiscal year 2010. Payment of the interest capitalized was made in fiscal year 2011; however, when the payment was made in fiscal year 2011 the related interest expense liability was not reduced. Such payments were recorded as an expenditure again in fiscal year 2011.

**CRITERIA:** Accurate accounting practice requires that expenditures be matched to the period in which the obligation was incurred. If the obligation was not satisfied in the fiscal year involved, an associated payable should be booked at the end of the fiscal year. Subsequently, payment of the obligation shall be reflected through reduction of the payable rather than through current year operations.

**EFFECT:** Reflecting payments as an expenditure rather than as a reduction of liability caused fund balance to be understated and payables to be overstated by \$793,981 at June 30, 2011.

**CAUSE:** Procedures related to the year-end close process did not identify the transaction that occurred until the subsequent period.

**RECOMMENDATION:** The Village should establish policies and procedures to ensure that all year end journal entries are properly reversed in the subsequent year.

**MANAGEMENT RESPONSE:** Management concurs with auditors and will ensure that all audit adjustments are reviewed and completed for accurateness and timeliness.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2012**

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

**2010-04 Section 8 Annual Reexamination- Eligibility (non-compliance and significant deficiency) – Repeated and Revised**

**FEDERAL PROGRAM:**

U.S. Department of Housing and Urban Development

Section 8 Housing Choice Vouchers - CFDA 14.871

Award Period: July 1, 2011 - June 30, 2012

**CONDITION:** During our eligibility testwork, we noted the required release forms were not signed on 1 of 20 tenants tested preventing authorization for the housing authority to obtain the necessary information for the annual re-examination of eligibility.

**CRITERIA:** 24 CFR sections 5.230, 5.609 and 982.516 requires that, as a condition of continued occupancy, the tenant and other family members are required to provide necessary information, documentation and release forms to allow the housing authority to obtain information from third parties.

**EFFECT:** The tenant may no longer be eligible to receive assistance under this program resulting in unallowed expenditures.

**CAUSE:** There was no oversight in the current control structures for the verification that the required documentation was obtained for the current fiscal year.

**QUESTIONED COSTS:** None

**RECOMMENDATION:** The housing authority should re-evaluate its current controls structures to ensure that the annual re-examination process is completed on 100% of the tenants served under the program.

**MANAGEMENT RESPONSE:** Management agrees with auditor's recommendation. Note: The Village of Los Lunas Housing Authority was merged with El Camino Rael Housing Authority on April 1, 2011. HUD completed the transfer on April 1, 2012.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2012**

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

**2010-06 Section 8 Submission of REAC and SEMAP- Reporting (Significant Deficiency and non-compliance) – Revised and Repeated**

FEDERAL PROGRAM

U.S. Department of Housing and Urban Development

Section 8 Housing Choice Vouchers - CFDA 14.871

Award Period: July 1, 2011- June 30, 2012

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 for fiscal year 2011 was due by March 31, 2012.

EFFECT: Noncompliance with HUD regulations which resulted in HUD not having 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 the REAC and SEMAP submissions should be processed timely.

MANAGEMENT RESPONSE: Management agrees with auditor's recommendation. Note: The Village of Los Lunas Housing Authority was merged with El Camino Rael Housing Authority on April 1, 2011. HUD completed the transfer on April 1, 2012.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2012**

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

**2012-03 Section 8 Compliance (Other Matters 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, 2011- June 30, 2012

**CONDITION:** In a sample of 20 tenants tested, we identified one tenant in which line 2K of Form 50058 was marked "yes" for FSS Participation; however, the addendum with lines 17a and 17k(2) regarding the family's participation in the Family Self Sufficiency (FSS) Program was not included. We additionally noted, in a sample of 20 tenants tested, the inspection of one tenant received a "fail" rating. The inspector failed to notify the landlord of the reason for failure; therefore, the landlord did not fix the deficiency.

**CRITERIA:** HUD regulations states that lines 2K, 17a and 17k(2) of Form 50058 contain critical information to be reported and is required to be filled out completely and accurately prior to submission for tenant admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family.

24 CFR sections 982.158(d) and 982.404 requires that the housing authority must require the owner of the property to correct any life-threatening HQS deficiencies within 24 hours and all other HQS deficiencies within 30 days.

**EFFECT:** Non-compliance with reporting of required information to HUD can cause inaccurate evaluation by HUD causing fines, reduction in funding, etc.

**CAUSE:** Controls surrounding the evaluation process did not allow for accurate completion of the required HUD forms nor did it allow for accurate follow-up on inspection deficiencies.

**QUESTIONED COSTS:** None

**RECOMMENDATION:** We recommend that the Housing Authority re-evaluate its current procedures in place to ensure that all required forms are completed and submitted to HUD and that all inspection deficiencies be re-evaluated for resolution.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2012**

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

**2012-03 Section 8 Compliance (Other Matters and Non-Compliance) - Continued**

MANAGEMENT RESPONSE: Management agrees with auditor's recommendation. Note: The Village of Los Lunas Housing Authority was merged with El Camino Rael Housing Authority on April 1, 2011. HUD completed the transfer on April 1, 2012.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2012**

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

**2012-04 Social Security Compliance (Other Matters)**

CONDITION: Through evaluation of the current year procedures utilized by the Village, we identified that social security form 1945, *Statement Concerning Your Employment in a Job Not Covered by Social Security*, or its equivalent were not signed for newly hired employees not subjected to social security taxation.

CRITERIA: 2.2.2.10H(2)d NMAC requires that entities comply with the Social Security Administrations requirement that all state and local government employers disclose to all new employees the fact that their job is not covered by social security if they were hired for a position not covered by social security. These employees must sign a statement that they are aware of a possible reduction in their future Social Security benefit entitlement.

EFFECT: Employees who work for the Village could be misinformed related to their future postretirement benefit.

CAUSE: The Village was not aware of the requirement imposed by the Social Security Administration.

RECOMMENDATION: It is recommended that the Village implement the form in their new hire orientation process. It is additionally recommended that they evaluate all current employees to ensure that all have been notified and acknowledge that their benefit could be reduced.

MANAGEMENT RESPONSE: Management concurs with auditor's recommendation. After notification of this non-compliance payroll and human resource staff met with Fire and Police personnel to explain the Social Security Form 1945. As of November 2, 2012, all required personnel affected by Social Security Form 1945 were notified and the required signed documentation was placed in the employee personnel file.



**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2012**

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

**2012-05 Expenditures in Excess of Budget (Other Matters)**

CONDITION: The Village over expended its budget at the fund level in the following funds:

Transportation Fund: \$159,499

Section 8 Housing Fund: \$790,161

Law Enforcement Fund: \$8,106

CRITERIA: Sound financial management and 2.2.2.10P(1) NMAC requires that all budget overages be communicated as a finding and disclosed in the notes to the financial statements.

EFFECT: Over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

CAUSE: Budget overages were primarily the result of planned closure of the funds and were a result of budgetary basis reconciliation to fund statements.

RECOMMENDATION: It is recommended that the Village budget for all activity of a fund including the budgeting of those which involves the closure and winding down of activity and payment of balances owed.

MANAGEMENT RESPONSE: Management agrees with auditor's recommendation. The expenditures that were over budget were due to the close-out of federal program funds. The Housing Authority was merged with El Camino Rael Housing Authority (in Socorro, NM) and the Transportation Fund was acquired by Rio Metro. The result of the overage on the Law Enforcement Fund was not due to actual expenditures, but to an adjustment on a prior year audit adjustment.

**STATE OF NEW MEXICO  
VILLAGE OF LOS LUNAS  
EXIT CONFERENCE  
Year Ended June 30, 2012**

The contents of this report were discussed in the exit conference held on November 27, 2012, with the following in attendance:

**Representing Village of Los Lunas:**

Robert Vialpando	Mayor
Richard Lovato	Mayor Pro-Tem
Gregory Martin	Village Administrator
Monica Clarke	Finance Officer

**Representing Axiom:**

Chris Garner	Principal
Jim Cox	Supervisor

The financial statements were prepared with the assistance of Axiom Certified Public Accountants & Business Advisors, LLC from the books and records of Village of Los Lunas.