

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS

Financial Statements

June 30, 2013



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

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STATE OF NEW MEXICO

VILLAGE OF LOS LUNAS

Official Roster

June 30, 2013

| | |
|------------------|-----------------------|
| Robert Vialpando | Mayor |
| Charles Griego | Mayor Pro-Tem |
| Gerard Saiz | Councilor |
| Amanda Perea | Councilor |
| Richard Lovato | 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

Report on Financial Statements

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 the Village of Los Lunas, New Mexico (the "Village"), as of and for the year ended June 30, 2013, and the related notes to the financial statements 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, capital projects fund, and all Nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Village as of June 30, 2013, and the respective changes in financial positions and cash flows, where applicable, thereof and the respective budgetary comparisons for all enterprise funds and Nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Village's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules required by 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2.NMAC* are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures of Federal Awards and other schedules required by 2.2.2.NMAC* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

The logo for Axiom, featuring the word "Axiom" in a blue, cursive script font.

Albuquerque, New Mexico
November 27, 2013

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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 position is \$ 48,219,532 for fiscal year 2013.
- The Village's governmental program revenues are \$ 3,065,690 for fiscal year 2013.
- The total cost of all Village governmental programs is \$ 19,097,575 for fiscal year 2013.

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, 2013**

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 position, which reports all financial and capital resources. The statement of net position 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 position changed during the most recent fiscal year. Again, revenues and expenses are recorded using the accrual basis of accounting. The statement of activities includes revenue from governmental activities as well as business-type activities.

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

The government-wide financial statements can be found on pages 16 through 17 of this report.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2013**

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, 2013**

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 position for the fiscal year ending June 30, 2013.

**Table A-1
Village of Los Lunas
Statement Of Net Position**

| | <u>Government Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|------------------------------|-------------------|---------------------------------|-------------------|--------------------|--------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Current and other assets | 13,673,038 | 14,606,078 | 5,563,240 | 4,866,114 | 19,236,278 | 19,472,192 |
| Capital and non-current assets | 45,870,341 | 46,295,515 | 57,659,480 | 59,945,802 | 103,529,821 | 106,241,317 |
| Total assets | 59,543,379 | 60,901,593 | 63,222,720 | 64,811,916 | 122,766,099 | 125,713,509 |
| Current liabilities | 2,124,606 | 1,869,463 | 2,668,133 | 2,526,139 | 4,792,739 | 4,395,602 |
| Long-term liabilities | 9,199,241 | 9,500,386 | 23,353,616 | 24,799,176 | 32,552,857 | 34,299,562 |
| Total liabilities | 11,323,847 | 11,369,849 | 26,021,749 | 27,325,315 | 37,345,596 | 38,695,164 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt and unspent bond proceeds | 36,342,316 | 37,585,656 | 33,292,988 | 33,836,693 | 69,635,304 | 71,422,349 |
| Restricted | 2,660,158 | 2,001,562 | - | - | 2,660,158 | 2,001,562 |
| Unrestricted | 9,217,058 | 9,944,526 | 3,907,983 | 3,649,908 | 13,125,041 | 13,594,434 |
| Total net assets | 48,219,532 | 49,531,744 | 37,200,971 | 37,486,601 | 85,420,503 | 87,018,345 |

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2013**

Financial Analysis of the Village as a Whole (Continued)

For the fiscal year ending June 30, 2013, the Village had \$45,870,341 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 2013, the Village disposed of obsolete and worn-out inventory. Capital assets (net of accumulated depreciation) make up approximately 77% 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 2013, the net assets from the Village's governmental funds decreased by 1.45% 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 and cash reserve balance. The Village's gross receipts tax increased by \$235,525 over last year's reported revenue. This increase represents stable economic growth in our community.

For fiscal year 2013, there is \$2,660,158 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 2013, the net assets of our business-type activities decreased by less than 1% over the prior fiscal year. This slight decrease is due to the disposition of capital assets and cash reserve balance. 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.

Debt

At year end, the Village had approximately \$ 7,924,432 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:

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

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2013**

Financial Analysis of the Village as a Whole (Continued)

The purpose of this issue was to defray the cost to 1) refund the Village's Gross Receipts Tax Refunding Revenue Bonds, Series 1993, and the Village's Infrastructure Fund Gross Receipts Tax Revenue Bonds, Series 1995, 2) acquire, extend, enlarge, better repair, otherwise improve or maintain sanitary sewers, sewage treatment plants or water utilizes, including but not

necessarily limited to the acquisition of rights of way and water and water rights, or any combination of the foregoing, 3) construct, purchase, furnish, equip, rehabilitate, make additions to or make improvements to public buildings, 4) purchase, acquire or rehabilitate fire-fighting equipment or any combination of the foregoing, 5) acquire, construct, purchase, equip, furnish make additions to, renovate, rehabilitate, beautify or otherwise improve public parking or recreational facilities, and 6) cover all costs incidental to the foregoing and incidental to the issuance of the Bonds.

There was not any new debt issued for fiscal year 2013 for governmental activities. For business-related activities, there was new debt issued in the amount of \$141,200 for the Eastside River Crossing Project. This project is in the preliminary design phase of which the purpose is to provide a water loop system to increase residential and commercial water flow to the East side of the Rio Grande river. The Village is expected to receive \$211,800 in grant revenue to help with constructions costs for this project.

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 and post-employment benefits for retiree healthcare.

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, 2013**

**Financial Analysis of the Village as a Whole (Continued)
Changes in Net Position**

Table A-2 summarizes the Village's changes in net assets for the fiscal year 2013.

| | <u>Government Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|--------------------------------------|------------------------------|-------------|---------------------------------|-------------|--------------|-------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 1,608,728 | 1,648,531 | 8,642,559 | 8,274,287 | 10,251,287 | 9,922,818 |
| Operating grants & contributions | 1,052,118 | 1,446,068 | - | 382,186 | 1,052,118 | 1,828,254 |
| Capital grants & contributions | 404,844 | - | - | - | 404,844 | - |
| General revenues: | | | | | | |
| Property taxes | 2,446,057 | 2,549,025 | - | - | 2,446,057 | 2,549,025 |
| Other taxes | 11,351,924 | 12,073,937 | - | - | 11,351,924 | 12,073,937 |
| Miscellaneous interest & other | 828,498 | 247,968 | (405,403) | 407,496 | 423,095 | 655,464 |
| | - | 694 | - | (437,962) | - | (437,268) |
| Total revenues | 17,692,169 | 17,966,223 | 8,237,156 | 8,626,007 | 25,929,325 | 26,592,230 |
| Expenses: | | | | | | |
| General government | 3,972,881 | 3,080,611 | - | - | 3,972,881 | 3,080,611 |
| Public safety | 6,827,643 | 6,778,515 | - | - | 6,827,643 | 6,778,515 |
| Highways & streets | 3,838,157 | 3,861,321 | - | - | 3,838,157 | 3,861,321 |
| Culture & recreation | 4,178,213 | 4,034,417 | - | - | 4,178,213 | 4,034,417 |
| Health & welfare | 18,445 | 646,275 | - | - | 18,445 | 646,275 |
| Interest on long-term debt | 262,236 | 298,725 | - | - | 262,236 | 298,725 |
| Water/sewer | - | - | 6,412,426 | 6,358,078 | 6,412,426 | 6,358,078 |
| Solid waste | - | - | 2,037,750 | 1,655,729 | 2,037,750 | 1,655,729 |
| Transportation | - | - | - | 155,768 | - | 155,768 |
| Total expenses | 19,097,575 | 18,699,864 | 8,450,176 | 8,169,575 | 27,547,751 | 26,869,439 |
| Net revenues (loss) before Transfers | (1,405,406) | (733,641) | (213,020) | 456,432 | (1,618,426) | (277,209) |
| Transfers | 93,194 | 261,646 | (72,610) | (261,646) | 20,584 | - |
| Disposition of capital asset | - | - | - | - | - | - |
| Increase in net assets | (1,312,212) | (471,995) | (285,630) | 194,786 | (1,597,842) | (277,209) |
| Net assets, beginning of year | 49,531,744 | 50,003,739 | 37,486,601 | 37,291,815 | 87,018,345 | 87,295,554 |
| Net assets, end of year | 48,219,532 | 49,531,744 | 37,200,971 | 37,486,601 | 85,420,503 | 87,018,345 |

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2013**

Financial Analysis of the Village' Funds

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

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

Budget

For the General Fund budget, total revenues budgeted were \$ 14,891,943 and actual revenues received were \$13,363,784 (cash basis), which is a negative variance of \$1,528,159. In addition, the total General Fund expense budget was \$17,039,018 and actual expenditures were \$15,264,904, which is a positive variance of \$1,774,114.

The only difference between the original and final budgeted revenue amounts for the General Fund pertains to a grant received by the Police Department in the amount of \$11,323. The expenditures increased by \$11,323 as well pertaining to the Edward Byrne Memorial DOJ Grant whereby additional tools and equipment were purchased for the Police Department.

Progress Highlights for Fiscal year 2013

- The Village has completed six of seven phases as defined by the Water Master Plan. The seven phases are as follows:
 - Phase I: Tank and Transmission Line
 - Phase II: Transmission Line
 - Phase III: Water Well
 - Phase IV: Reconstruct Pump Station
 - Phase V: South Water Loop Installation
 - Phase VI: South Water Loop Extension
 - Phase VII: North Water Loop Installation
- Continued landscape improvements at City Hall
- Continued design work on Transportation Building Project
- Completed renovations at Fred Luna Senior Center
- Purchased 7 new vehicles for the Police Department, 2 new vehicles for the Parks & Recreation Department and 1 new vehicle for the Fire Department
- Completed NM6 & NM 263 intersection improvements
- Began work on NM314 Bike Enhancement Project, scheduled to be completed in fiscal year 2014
- Completed park improvements at Huning Ranch Park
- Purchased 5.459 acre feet of water rights

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2013**

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 2014 will accomplish the major priorities that the Village Council, staff and many citizens have identified. Using the Village's 5-year Infrastructure Capital Improvements Plan (ICIP), Federal, State and Village funds will be leveraged to the greatest degree possible for these necessary capital expenses. Sound fiscal and comprehensive planning will enable the Village to enter the next year in a strong financial position.

The fiscal year 2013-14 budget includes nineteen (19) active funds, which are separated into six (6) fund types. The Village budget is presented on a cash basis. Total revenues for all funds combined are estimated to be \$39,114,643. The total estimated beginning cash balance is \$15,391,781, and the total ending cash balance on June 30, 2104, is projected to be \$14,006,474. This represents a net decrease in the total estimated ending cash balance of \$1,385,307 (-9.0%).

Gross receipts tax, including state shared and municipal gross receipts were budgeted to remain flat at \$8,327,759, representing 54% of total revenues in the General Fund. Property tax rates imposed by the Governing Body are at the maximum rate authorized at \$7.65 per \$1,000. Revenues from property taxes (including delinquencies) are estimated at \$2,337,168, representing approximately 15% of General Fund revenues.

Total expenditures for all funds are projected to be \$40,499,948, an increase of 13.9%, with General Fund expenditures projected to decrease by 1.0% or \$175,083.

Significant efforts continue to be directed toward community development related activities, including zoning cases and code enforcement cases. Community development expenses for fiscal year 2014 include 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.
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:
 - WWTP Capacity Expansion Cassettes
 - Westside Fire Substation/Ladder Truck
 - Eastern Water Loop (East of Rio Grande)

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2013**

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

- Morris Road Extension
- 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 2014, we will strive to provide the following:

1. Emphasize employee training
2. Emphasize the Village Safety Program to continually lower the Village's workers compensation modifier.
3. Continue the implementation of a salary plan based on a policy that the Village will pay employees at 100% of the prevailing rates paid for similar occupations by the public and private employers with whom we compete for high quality staff, if financially able, based on the non-weighted average rates of designated comparator employers.

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

The Water/Sewer Fund is an enterprise fund that accounts for all water and sewer operations. Total revenues in the fund are projected to be \$10,058,654, and increase of 45% from fiscal year 2013. The significant increase in revenues in the Water/Sewer Fund is attributable to a **pending** sale of 256.31 acre feet of Village water rights to Vidler New Mexico, LLC., for \$14,750 per acre foot, or \$3,524,263, a transaction that must be approved by the Office of the State Engineer.

Expenditures in the Water/Sewer Fund are projected to total \$10,393,198, which is a 38.5% increase from fiscal year 2013. The significant increase in Water/Sewer Fund expenditures is attributable to the **pending** purchase of 256.31 acre feet of existing Village water rights credits from Curb South, LLC., for the purchase price of \$3,171,836. Again, this transaction must be approved by the Office of the State Engineer.

The Solid Waste Division continues with its operations improvements programs, which were prompted by the State mandated closure of the Village landfill. Operations improvements include a materials recovery and transfer facility completed in fiscal year 2012. In addition, the department has continued with its automation of the solid waste collection system, and will add a new bailer for recycling in fiscal year 2014. As per Council policy, solid waste rates were increased by 1.7% in July 2012, and 1.4% in July 2013, based on the Consumer Price Index.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2013**

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 POSITION
June 30, 2013**

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|--------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 8,300,777 | 3,298,415 | 11,599,192 |
| Restricted cash | 1,445,887 | 218,065 | 1,663,952 |
| Investments | 462,300 | 440,000 | 902,300 |
| Receivables | 3,417,198 | 1,559,785 | 4,976,983 |
| Inventories | - | 46,975 | 46,975 |
| Other receivables | 46,876 | - | 46,876 |
| Total current assets | <u>13,673,038</u> | <u>5,563,240</u> | <u>19,236,278</u> |
| Investments | - | - | - |
| Capital assets, net of depreciation | 45,870,341 | 57,659,480 | 103,529,821 |
| Total assets | <u>59,543,379</u> | <u>63,222,720</u> | <u>122,766,099</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 725,386 | 344,352 | 1,069,738 |
| Accrued payroll expenses | 194,723 | 36,662 | 231,385 |
| Customer deposits | - | 258,065 | 258,065 |
| Interest payable | 31,705 | 473,895 | 505,600 |
| Due within one year | | | |
| Bonds, notes, capital leases and compensated absences | 1,172,792 | 1,555,159 | 2,727,951 |
| Total current liabilities | <u>2,124,606</u> | <u>2,668,133</u> | <u>4,792,739</u> |
| Due in more than one year | | | |
| Bonds, notes and capital leases | 6,575,270 | 22,838,459 | 29,413,729 |
| Compensated absences | 176,370 | 27,128 | 203,498 |
| Post-closure landfill costs | - | 488,028 | 488,028 |
| Net other postemployment benefits obligation | 2,447,601 | - | 2,447,601 |
| Total liabilities | <u>11,323,847</u> | <u>26,021,748</u> | <u>37,345,595</u> |
| NET POSITION | | | |
| Net investment in capital assets | 36,342,316 | 33,292,988 | 69,635,304 |
| Restricted for | | | |
| Other postemployment benefits | 2,447,601 | - | 2,447,601 |
| Capital projects | - | - | - |
| Debt service | 212,557 | - | 212,557 |
| Unrestricted | 9,217,058 | 3,907,983 | 13,125,041 |
| Total net position | <u>\$ 48,219,532</u> | <u>37,200,971</u> | <u>85,420,503</u> |

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

| 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 | | Total |
| | | | | | Governmental Activities | Business-Type Activities | |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 3,972,881 | 1,377,978 | 33,279 | 370,114 | (2,191,510) | - | (2,191,510) |
| Public safety | 6,827,643 | 82,952 | 999,583 | - | (5,745,108) | - | (5,745,108) |
| Public works | 3,838,157 | - | - | 34,730 | (3,803,427) | - | (3,803,427) |
| Health, welfare and sanitation | 18,445 | - | 19,256 | - | 811 | - | 811 |
| Culture and recreation | 4,178,213 | 147,798 | - | - | (4,030,415) | - | (4,030,415) |
| Interest on long-term debt | 262,236 | - | - | - | (262,236) | - | (262,236) |
| Total governmental activities | 19,097,575 | 1,608,728 | 1,052,118 | 404,844 | (16,031,885) | - | (16,031,885) |
| Business-Type Activities | | | | | | | |
| Water and sewer | 6,412,426 | 6,124,745 | - | - | - | (287,681) | (287,681) |
| Solid waste | 2,037,750 | 2,517,814 | - | - | - | 480,064 | 480,064 |
| Total business-type activities | 8,450,176 | 8,642,559 | - | - | - | 192,383 | 192,383 |
| Total primary government | \$ 27,547,751 | 10,251,287 | 1,052,118 | 404,844 | (16,031,885) | 192,383 | (15,839,502) |
| General Revenues | | | | | | | |
| Taxes | | | | | | | |
| Property taxes, levied for general purposes | | | | | 2,446,057 | - | 2,446,057 |
| Franchise tax | | | | | 398,846 | - | 398,846 |
| Sales tax | | | | | 10,224,817 | - | 10,224,817 |
| Other taxes | | | | | 727,574 | - | 727,574 |
| Unrestricted investment earnings (loss) | | | | | 687 | (407,717) | (407,030) |
| Miscellaneous | | | | | 342,083 | 2,314 | 344,397 |
| Legislative appropriations | | | | | 506,999 | - | 506,999 |
| Transfers | | | | | 72,610 | (72,610) | - |
| Total general revenues, special items, and transfers | | | | | 14,719,673 | (478,013) | 14,241,660 |
| Change in net position | | | | | (1,312,212) | (285,630) | (1,597,842) |
| Net position, beginning | | | | | 49,531,744 | 37,486,601 | 87,018,345 |
| Net position, ending | | | | | \$ 48,219,532 | 37,200,971 | 85,420,503 |

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

| | General Fund | Infrastructure Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,437,595 | 2,338,809 | 1,524,373 | 8,300,777 |
| Restricted Cash | 1,445,887 | - | - | 1,445,887 |
| Investments | 462,300 | - | - | 462,300 |
| Due from other funds | 2,079 | - | - | 2,079 |
| Receivable from other governments | 2,783,147 | 356,344 | 5,166 | 3,144,657 |
| Other receivables | 1,609 | - | 45,267 | 46,876 |
| Total assets | \$ 9,132,617 | 2,695,153 | 1,574,806 | 13,402,576 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 461,126 | 150,560 | 113,700 | 725,386 |
| Accrued interest | 31,705 | - | - | 31,705 |
| Due to other funds | - | - | 2,079 | 2,079 |
| Accrued payroll expenses | 187,889 | - | 6,834 | 194,723 |
| Total liabilities | 680,720 | 150,560 | 122,613 | 953,893 |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 2,447,601 | - | 857,600 | 3,305,201 |
| Committed | - | - | - | - |
| Assigned | - | 2,544,593 | 594,593 | 3,139,186 |
| Unassigned | 6,004,296 | - | - | 6,004,296 |
| Total fund balances | 8,451,897 | 2,544,593 | 1,452,193 | 12,448,683 |
| Total liabilities and fund balances | \$ 9,132,617 | 2,695,153 | 1,574,806 | 13,402,576 |

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, 2013**

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Total Fund Balance Governmental Funds Governmental Funds Balance Sheet | \$ 12,448,683 |
| 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 | 97,879,552 |
| Accumulated depreciation | <u>(52,009,211)</u> |
| Total capital assets | <u>45,870,341</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) | (7,571,693) |
| Compensated absences payable | <u>(352,739)</u> |
| Total long-term and other liabilities | <u>(7,924,432)</u> |
| The liability recorded for the year ended June 30, 2013 related to postemployment benefits obligation is: | (2,447,601) |
| 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 | <u>272,541</u> |
| Net assets governmental activities (Statement of Net Assets) | <u><u>\$ 48,219,532</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, 2013**

| | General Fund | Infrastructure Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Sales and miscellaneous taxes | \$ 11,303,410 | 1,844,721 | 594,096 | 13,742,227 |
| Fees and fines | 72,392 | - | - | 72,392 |
| Licenses and permits | 78,692 | - | - | 78,692 |
| State grants | 154,670 | 235,024 | 561,335 | 951,029 |
| Federal grants | 360,481 | 110,722 | 34,730 | 505,933 |
| Charges for Services | 1,262,584 | - | 195,060 | 1,457,644 |
| Investment earnings | - | 278 | 409 | 687 |
| Miscellaneous | 342,083 | - | - | 342,083 |
| Total revenues | 13,574,312 | 2,190,745 | 1,385,630 | 17,150,687 |
| Expenditures | | | | |
| Current | | | | |
| General government | 2,242,617 | - | 48,650 | 2,291,267 |
| Public safety | 5,921,008 | - | 650,761 | 6,571,769 |
| Public works | 922,655 | 153,125 | 103,331 | 1,179,111 |
| Health and welfare | - | - | - | - |
| Culture and recreation | 3,592,360 | - | 86,621 | 3,678,981 |
| Equity transfers out | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | 885,015 | 885,015 |
| Interest and other charges | - | - | 262,236 | 262,236 |
| Capital outlay | 2,784,828 | 1,509,044 | 62,262 | 4,356,134 |
| Total expenditures | 15,463,468 | 1,662,169 | 2,098,876 | 19,224,513 |
| Excess (deficiency) of revenues over (under) expenditures before other financings sources (uses) | (1,889,156) | 528,576 | (713,246) | (2,073,826) |
| Other Financing Sources (Uses) | | | | |
| Legislative appropriations | 506,999 | - | - | 506,999 |
| Transfers, in | 301,789 | - | 782,556 | 1,084,345 |
| Transfers, out | (464,602) | (480,481) | (66,652) | (1,011,735) |
| Total other financing sources (uses) | 344,186 | (480,481) | 715,904 | 579,609 |
| Net change in fund balances | (1,544,970) | 48,095 | 2,658 | (1,494,217) |
| Fund balances, beginning of year | 9,996,867 | 2,496,498 | 1,449,535 | 13,942,900 |
| Fund balances, end of year | \$ 8,451,897 | 2,544,593 | 1,452,193 | 12,448,683 |

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, 2013**

**Net Change in Fund Balances - Total Governmental Funds
(Statement of Revenue, Expenditures, and Changes
in Fund Balances)** \$ (1,494,217)

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 4,760

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 978,166

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, 2012 to June 30, 2013 is: (590,814)

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. In the current period, these amounts were

Capital outlay 3,786,204
Depreciation expense (4,051,378)

Revenue in the Statement of Activities that do not provide current financial resources are not recorded as revenue in the funds 55,067

Change in net position governmental activities \$ (1,312,212)

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, 2013

| | General Fund | | | |
|--|-------------------|-------------------|--|--|
| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 11,064,589 | 11,064,589 | 10,607,308 | (457,281) |
| Licenses and permits | 97,550 | 97,550 | 78,692 | (18,858) |
| Intergovernmental | 289,255 | 300,578 | 255,759 | (44,819) |
| Charges for services | 1,268,552 | 1,268,552 | 1,262,584 | (5,968) |
| Fines and forfeitures | 69,000 | 69,000 | 72,392 | 3,392 |
| Miscellaneous | 315,647 | 315,647 | 321,499 | 5,852 |
| Interest | 281 | 281 | - | (281) |
| Total revenues | 13,104,874 | 13,116,197 | 12,598,234 | (517,963) |
| Expenditures | | | | |
| General government | 2,262,171 | 2,300,171 | 2,054,465 | 245,706 |
| Public Safety | 6,188,188 | 6,199,511 | 5,910,596 | 288,915 |
| Highways and streets | 896,879 | 896,879 | 922,655 | (25,776) |
| Culture and recreation | 3,906,193 | 3,906,193 | 3,592,360 | 313,833 |
| Capital outlay | 3,736,264 | 3,736,264 | 2,784,828 | 951,436 |
| Total expenditures | 16,989,695 | 17,039,018 | 15,264,904 | 1,774,114 |
| Other financing sources | | | | |
| Legislative appropriations | 1,779,587 | 1,779,587 | 766,391 | (1,013,196) |
| Operating transfers in | 222,373 | 222,373 | 322,373 | 100,000 |
| Operating transfers out | (464,602) | (464,602) | (464,602) | - |
| Total other financing sources | 1,537,358 | 1,537,358 | 624,162 | (913,196) |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ (2,347,463) | (2,385,463) | (2,042,508) | 342,955 |
| Change in accounts receivable | | | 696,102 | |
| Change in accounts payable | | | (188,152) | |
| Change in accrued liabilities | | | (10,412) | |
| GAAP change in fund balance | | | \$ (1,544,970) | |

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, 2013

| | Infrastructure Fund | | | |
|--|---------------------|------------------|--|--|
| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 1,831,107 | 1,831,107 | 1,784,249 | (46,858) |
| Intergovernmental | 664,062 | 940,062 | 345,746 | (594,316) |
| Investment Earnings | 700 | 700 | 278 | (422) |
| Total revenues | <u>2,495,869</u> | <u>2,771,869</u> | <u>2,130,273</u> | <u>(641,596)</u> |
| Expenditures | | | | |
| General government | - | - | - | - |
| Highways and streets | 414,083 | 414,083 | 25,711 | 388,372 |
| Capital outlay | 1,741,314 | 2,076,647 | 1,509,044 | 567,603 |
| Total expenditures | <u>2,155,397</u> | <u>2,490,730</u> | <u>1,534,755</u> | <u>955,975</u> |
| Other financing sources | | | | |
| Operating transfers in (out) | (550,000) | (550,000) | (480,481) | 69,519 |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ <u>(209,528)</u> | <u>(268,861)</u> | 115,037 | <u>383,898</u> |
| Change in accounts receivable | | | 60,472 | |
| Change in accounts payable | | | <u>(127,414)</u> | |
| GAAP change in fund balance | | | <u>\$ 48,095</u> | |

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2013

| | Enterprise Funds | | |
|--|----------------------|------------------|-------------------|
| | Water Sewer | Solid Waste | Total |
| | Fund | Fund | |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 922,527 | 2,375,888 | 3,298,415 |
| Restricted cash | 218,065 | - | 218,065 |
| Investments | 240,000 | 200,000 | 440,000 |
| Accounts receivable | 396,545 | 196,979 | 593,524 |
| Due from agencies | 737,880 | 228,381 | 966,261 |
| Inventories | 46,975 | - | 46,975 |
| Total current assets | 2,561,992 | 3,001,248 | 5,563,240 |
| Noncurrent Assets | | | |
| Investments | - | - | - |
| Capital assets | 81,431,693 | 4,369,384 | 85,801,077 |
| Less accumulated depreciation | (25,007,494) | (3,134,103) | (28,141,597) |
| Total noncurrent assets | 56,424,199 | 1,235,281 | 57,659,480 |
| Total assets | 58,986,191 | 4,236,529 | 63,222,720 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts payable | 281,744 | 62,608 | 344,352 |
| Salaries payable | 20,124 | 16,538 | 36,662 |
| Customer deposits | 258,065 | - | 258,065 |
| Interest payable | 473,895 | - | 473,895 |
| Due to other funds | - | - | - |
| Current portion of debt | 1,538,297 | 16,862 | 1,555,159 |
| Total current liabilities | 2,572,125 | 96,008 | 2,668,133 |
| Non-Current Liabilities | | | |
| Compensated absences | 10,266 | 16,862 | 27,128 |
| Post-closure landfill costs | - | 488,028 | 488,028 |
| Bonds, notes, loans and capital leases | 22,838,460 | - | 22,838,460 |
| Total liabilities | 25,420,851 | 600,898 | 26,021,749 |
| NET POSITION | | | |
| Net investment in captial assets | 32,057,707 | 1,235,281 | 33,292,988 |
| Restricted | - | - | - |
| Unrestricted | 1,507,633 | 2,400,350 | 3,907,983 |
| Total net position | \$ 33,565,340 | 3,635,631 | 37,200,971 |

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2013**

| | Enterprise Funds | | Total |
|---|----------------------|---------------------|-------------------|
| | Water Sewer Fund | Solid Waste Fund | |
| Operating Revenues | | | |
| Charges for Services | \$ 6,124,745 | 2,517,814 | 8,642,559 |
| Intergovernmental | - | - | - |
| Miscellaneous | - | 2,314 | 2,314 |
| Total operating revenues | 6,124,745 | 2,520,128 | 8,644,873 |
| Operating Expenses | | | |
| Personal services | 853,365 | 798,413 | 1,651,778 |
| Non-payroll expenses | 3,388,574 | 1,101,404 | 4,489,978 |
| Depreciation | 2,170,487 | 137,933 | 2,308,420 |
| Total operating expenses | 6,412,426 | 2,037,750 | 8,450,176 |
| Operation income (loss) | (287,681) | 482,378 | 194,697 |
| Non-Operating Revenues (Expenses) | | | |
| Interest and investment revenue | 10,531 | 1,147 | 11,678 |
| Interest expense | (418,872) | (523) | (419,395) |
| Total non-operating revenue (expenses) | (408,341) | 624 | (407,717) |
| Income (loss) before contributions and transfers | (696,022) | 483,002 | (213,020) |
| Transfers | | | |
| Transfers, in | 60,610 | - | 60,610 |
| Transfers, out | (118,444) | (14,776) | (133,220) |
| Change in net position | (753,856) | 468,226 | (285,630) |
| Net position, beginning of year | 34,319,196 | 3,167,405 | 37,486,601 |
| Net position, end of year | \$ 33,565,340 | 3,635,631 | 37,200,971 |

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2013**

| | Water Sewer Fund | Solid Waste Fund | Total |
|---|---------------------|---------------------|--------------------|
| Cash Flows From Operating Activities | | | |
| Cash received from customers and others | \$ 5,923,585 | 2,486,911 | 8,410,496 |
| Cash paid for goods and services | (3,162,009) | (1,072,260) | (4,234,269) |
| Cash paid to employees | (852,374) | (794,630) | (1,647,004) |
| Other expenses | 59,767 | (140,045) | (80,278) |
| Net cash provided by operating activities | <u>1,968,969</u> | <u>479,976</u> | <u>2,448,945</u> |
| Cash Flows From Investing Activities | | | |
| Purchases of capital assets | (262,098) | - | (262,098) |
| Interest received | 10,531 | 1,147 | 11,678 |
| Net cash provided (used) by investing activities | <u>(251,567)</u> | <u>1,147</u> | <u>(250,420)</u> |
| Cash Flows From Non-Capital Financing | | | |
| Activities Operating transfers, net | (57,834) | (14,776) | (72,610) |
| Net cash used by non-capital financing activities | <u>(57,834)</u> | <u>(14,776)</u> | <u>(72,610)</u> |
| Cash Flows From Capital and Related Financing Activities | | | |
| Debt proceeds | - | - | - |
| Debt payment | (1,462,920) | (39,701) | (1,502,621) |
| Activities transfers, net | - | - | - |
| Interest paid | (418,872) | (523) | (419,395) |
| Net cash used by capital and related financing activities | <u>(1,881,792)</u> | <u>(40,224)</u> | <u>(1,922,016)</u> |
| Net decrease in cash and cash equivalents | (222,224) | 426,123 | 203,899 |
| Cash and restricted cash and cash equivalents, beginning of year | <u>1,362,816</u> | <u>1,949,765</u> | <u>3,312,581</u> |
| Cash and restricted cash and cash equivalents, end of year | <u>\$ 1,140,592</u> | <u>2,375,888</u> | <u>3,516,480</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | | |
| Operating income (loss) | \$ (287,681) | 482,378 | 194,697 |
| Noncash items | | | |
| Disposition of capital asset | - | - | - |
| Adjustments to operating income | | | |
| Depreciation expense | 2,170,487 | 137,933 | 2,308,420 |
| Accounts receivable | (219,805) | (33,217) | (253,022) |
| Due from other funds | - | - | - |
| Inventory | (205) | - | (205) |
| Accounts payable | 286,537 | (30,623) | 255,914 |
| Meter deposit | 18,645 | - | 18,645 |
| Accrued liabilities | 3,649 | 2,652 | 6,301 |
| Compensated absences | (2,658) | 1,131 | (1,527) |
| Post closure landfill liability | - | (80,278) | (80,278) |
| Net cash provided (used) by operating activities | <u>\$ 1,968,969</u> | <u>479,976</u> | <u>2,448,945</u> |

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, 2013**

ASSETS

| | | |
|---------------------------|-----------|--------------------------------|
| Cash and cash equivalents | \$ | 1,255,752 |
| Due from other agencies | | <u>250,140</u> |
| Total assets | \$ | <u><u>1,505,892</u></u> |

LIABILITIES

| | | |
|--------------------------|-----------|--------------------------------|
| Accounts payable | \$ | 16,440 |
| Accrued liabilities | | 21,375 |
| Due to other funds | | <u>1,468,077</u> |
| Total liabilities | \$ | <u><u>1,505,892</u></u> |

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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, 2013**

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.

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 Position, 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 position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *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, 2013**

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, 2013**

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 position) 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 position. 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 position, 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, 2013**

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.

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: Street Improvements, 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.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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: Transportation Building.

Agency Funds - Assets held by the Village in an agency capacity for individuals, other governmental units and/or other funds: Court Trust Fund, Central Solid Waste Authority, Central Dispatch, 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, 2013**

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, 2013 was \$904,057.

When both restricted and unrestricted net position is 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 2013 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 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, 2013**

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 2012 were collected in 2013, and taxes certified in 2013 will be collected in 2014. 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, 2013**

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, 2013**

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 position. 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.

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 Position

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position invested in capital assets 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 position is reported as restricted when there are limitations imposed on its 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, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Recent Account Pronouncements

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement, which is effective for financial statements for periods beginning after June 15, 2013, provides, among other things, additional guidance to primary governments that are business-type activities reporting financial information in a single column. New guidance, which includes reporting a blended component unit, allows users to better distinguish between the primary government and its component unit by requiring condensed combining information in the notes to the financial statements. The Village adopted GASB Statement No. 61 during fiscal year 2013, with no effect to the Village's financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement, which is effective for financial statements for periods beginning after December 15, 2011, supersedes GASB Statement No. 20. The Village adopted GASB Statement No. 62 during fiscal year 2013, and its provisions were applied retroactively for all periods presented. Adoption of GASB Statement No 62 did no materially affect the Village's financial statements.

In June 2012, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes standards for reporting deferred outflows and deferred inflows of resources and net position. The statement required reporting of deferred outflows of resources (consumption of net position applicable to future periods) and deferred inflows of resources (acquisition of net position applicable to future periods) in separate sections of the balance sheet following assets and liabilities. The difference between assets plus deferred outflow of resources less liabilities plus deferred inflows of resources equals net position and net position should be displayed in three components as: net investment in capital assets, restricted, and unrestricted. GASB Statement No. 63 is effective for financial statement periods beginning after December 15, 2011. The Village adopted the provisions of the statement in fiscal year 2013. The adoption of GASB Statement No. 63 did not materially affect the Village's financial statements. At June 30, 2013 the Village had no items meeting the criteria of "deferred inflows" or "deferred outflows".

In March 2011, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65, which is effective for financial statements for period beginning after December 15, 2012, amends or supersedes accounting and financial reporting guidance for certain items previously reported as assets or liabilities. The Village will adopt GASB Statement No. 65 in fiscal year 2014 by retroactively restating financial statements for all periods presented. Debt issuance costs will need to be expensed as incurred when this standard is implemented.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 3. DEPOSITS AND INVESTMENTS

A. Cash and Investments

As of June 30, 2013, the Village had the following investments:

| | <u>Fair Value</u> | <u>Weighted Maturity Average (Months)</u> |
|--|-------------------|---|
| Certificates of deposit – Governmental | \$ 462,300 | 2.69 |
| Certificates of deposit – Enterprise | 440,000 | 0.80 |

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 76 and 77.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013.

NOTE 4. RECEIVABLES

Receivables as of June 30, 2013 consisted of the following. All receivables as of June 30, 2013 were deemed to be fully collectible.

| | General | Infrastructure | Other Governmental | Enterprise | Total |
|-------------------|--------------|----------------|-----------------------|--------------|-----------|
| | <u>Fund</u> | <u>Fund</u> | <u>Funds</u> | <u>Funds</u> | |
| Receivables: | | | | | |
| Trade Accounts | \$ - | - | - | 593,524 | 593,524 |
| From | | | | | |
| Agencies | - | - | - | 966,261 | 966,261 |
| Taxes | 2,783,147 | 356,344 | 5,166 | - | 3,144,657 |
| Other | 1,609 | - | 45,267 | - | 46,876 |
| | <hr/> | | | | |
| Total receivables | \$ 2,784,756 | 356,344 | 50,433 | 1,559,785 | 4,751,318 |

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013**

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets follows:

| Governmental Activities | Balance June 30, 2012 | Additions | Transfers/ Deletions | Balance June 30, 2013 |
|---|--------------------------|--------------------|-------------------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 2,473,929 | - | - | 2,473,929 |
| Construction in progress | 210,648 | 2,197,012 | - | 2,407,660 |
| Total capital assets not being depreciated | <u>2,684,577</u> | <u>2,197,012</u> | <u>-</u> | <u>4,881,589</u> |
| Capital assets being depreciated | | | | |
| Land improvements | 4,978,562 | 233,606 | - | 5,212,168 |
| Buildings and improvements | 16,113,871 | 13,315 | - | 16,127,186 |
| Vehicles | 4,375,238 | 369,567 | (101,920) | 4,642,885 |
| Machinery and equipment | 3,719,738 | 15,378 | - | 3,735,116 |
| Capital leases | 560,853 | - | - | 560,853 |
| Infrastructure | 61,660,509 | 1,059,246 | - | 62,719,755 |
| Total capital assets being depreciated | <u>91,408,771</u> | <u>1,691,112</u> | <u>(101,920)</u> | <u>92,997,963</u> |
| Total capital assets | <u>94,093,348</u> | <u>3,888,124</u> | <u>(101,920)</u> | <u>97,879,552</u> |
| Less accumulated depreciation for | | | | |
| Land improvements | (2,352,083) | (421,140) | - | (2,773,223) |
| Buildings and improvements | (4,708,116) | (485,947) | - | (5,194,063) |
| Vehicles | (3,802,289) | (263,684) | 101,920 | (3,964,053) |
| Machinery and equipment | (2,635,673) | (249,964) | - | (2,885,637) |
| Capital leases | (148,603) | (112,058) | - | (260,661) |
| Infrastructure | (34,311,069) | (2,620,505) | - | (36,931,574) |
| Total accumulated depreciation | <u>(47,957,833)</u> | <u>(4,153,298)</u> | <u>101,920</u> | <u>(52,009,211)</u> |
| Total capital assets being depreciated, net | <u>43,450,938</u> | <u>(2,462,186)</u> | <u>-</u> | <u>40,988,752</u> |
| Governmental activities Capital assets, net | <u>\$ 46,135,515</u> | <u>(265,174)</u> | <u>-</u> | <u>45,870,341</u> |

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013**

NOTE 5. CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets follows:

| Business-Type Activities | Balance June 30, 2012 | Additions | Transfers/ Deletions | Balance June 30, 2013 |
|---|--------------------------|--------------------|-------------------------|--------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 1,207,228 | - | - | 1,207,228 |
| Construction in progress | - | 152,118 | - | 152,118 |
| Water rights | 3,434,089 | 33,821 | - | 3,467,910 |
| Total capital assets not being depreciated | 4,641,317 | 185,939 | - | 4,827,256 |
| Capital assets being depreciated | | | | |
| Land improvements | 11,671 | - | - | 11,671 |
| Buildings and improvements | 19,537,456 | - | - | 19,537,456 |
| Vehicles | 3,489,815 | 76,159 | - | 3,565,974 |
| Machinery and equipment | 885,834 | - | - | 885,834 |
| Water/sewer plant | 56,972,886 | - | - | 56,972,886 |
| Landfill Open/Close in Progress | - | - | - | - |
| Total capital assets being depreciated | 80,897,662 | 76,159 | - | 80,973,821 |
| Total capital assets | 85,538,979 | 262,098 | - | 85,801,077 |
| Less accumulated depreciation for | | | | |
| Land improvements | (8,461) | (584) | - | (9,045) |
| Buildings and improvements | (1,181,630) | (590,971) | - | (1,772,601) |
| Vehicles | (3,291,754) | (66,411) | - | (3,358,165) |
| Machinery and equipment | (806,448) | (23,923) | - | (830,371) |
| Water/sewer plant | (20,544,884) | (1,626,531) | - | (22,171,415) |
| Total accumulated depreciation | (25,833,177) | (2,308,420) | - | (28,141,597) |
| Total capital assets being depreciated, net | 55,064,485 | (2,232,261) | - | 52,832,224 |
| Business-type activities Capital assets, net | \$ 59,705,802 | (2,046,322) | - | 57,659,480 |

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

| Governmental activities | | Business-type activities | |
|--------------------------------|---------------------|---------------------------------|---------------------|
| General government | \$ 579,041 | Water/Sewer | \$ 2,231,329 |
| Public safety | 369,425 | Solid Waste | 77,091 |
| Highways and streets | 2,746,444 | | <u>\$ 2,308,420</u> |
| Culture and recreation | 440,808 | | |
| Health and welfare | 17,580 | | |
| | <u>\$ 4,153,298</u> | | |

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 |
|-------|-------------------|---------------|
| 2014 | \$ 47,000 | 15,010 |
| 2015 | 49,000 | 12,778 |
| 2016 | 52,000 | 10,450 |
| 2017 | 54,000 | 7,980 |
| 2018 | 57,000 | 5,415 |
| 2019 | 57,000 | 2,708 |
| Total | <u>\$ 316,000</u> | <u>54,341</u> |

Gross Receipts Tax Revenue Bonds - Government

| | Principal | Interest |
|-------------|---------------------|----------------|
| 2014 | \$ 675,000 | 175,225 |
| 2015 | 700,000 | 150,250 |
| 2016 | 725,000 | 123,650 |
| 2017 | 750,000 | 95,375 |
| 2018 | 775,000 | 65,375 |
| 2019 - 2023 | 800,000 | 33,600 |
| Total | <u>\$ 4,425,000</u> | <u>643,475</u> |

Government Notes Payable

| | Principal | Interest |
|-------------|---------------------|----------------|
| 2014 | \$ 303,986 | 75,539 |
| 2015 | 311,952 | 67,319 |
| 2016 | 288,678 | 58,645 |
| 2017 | 291,698 | 50,340 |
| 2018 | 190,218 | 41,547 |
| 2019 – 2023 | 1,015,569 | 143,257 |
| 2024 – 2028 | 727,157 | 36,718 |
| Total | <u>\$ 3,129,258</u> | <u>473,365</u> |

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6. LONG-TERM DEBT (CONTINUED)

Enterprise Notes Payable

| | Principal | Interest |
|-------------|----------------------|------------------|
| 2014 | \$ 1,473,909 | 639,450 |
| 2015 | 1,511,153 | 602,230 |
| 2016 | 1,549,387 | 564,021 |
| 2017 | 1,588,634 | 524,796 |
| 2018 | 1,628,928 | 484,527 |
| 2019 – 2023 | 6,501,838 | 1,857,323 |
| 2024 – 2028 | 6,234,908 | 1,008,124 |
| 2029 – 2032 | 3,547,719 | 198,422 |
| Total | <u>\$ 24,036,476</u> | <u>5,878,893</u> |

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2013**

NOTE 6. LONG-TERM DEBT (CONTINUED)

The changes to long-term debt are as follows:

| | Interest Rate | Balance June 30, 2012 | Increase | (Decrease) | Balance June 30, 2013 | Amounts Due Within One Year |
|--|------------------|--------------------------|----------------|--------------------|--------------------------|-----------------------------------|
| Business-type activities: | | | | | | |
| Water and sewer fund | | | | | | |
| Wastewater facility construction loan | 2.00% | \$ 1,857,253 | - | (294,423) | 1,562,830 | 152,087 |
| Valencia waterline loan (89-17) | 3.00% | 20,810 | - | (20,810) | - | - |
| Drinking water state revolving loan | 2.54% | 1,970,756 | - | (199,813) | 1,770,943 | 205,344 |
| Clean water state revolving loan | 2.00% | 2,381,797 | - | (149,105) | 2,232,692 | 300,311 |
| Clean water state revolving loan 2008 | 3.00% | 15,332,779 | - | (603,561) | 14,729,218 | 628,771 |
| Joint water & sewer system revenue bond | 4.75% | 361,000 | - | (45,000) | 316,000 | 47,000 |
| NMFA drinking water loan | 2.00% | 3,790,318 | - | (176,937) | 3,613,381 | 180,485 |
| NMFA water/sewer River Crossing loan | | 141,200 | - | (6,894) | 134,306 | 6,911 |
| Equipment lease | Various | 114,697 | - | (107,574) | 7,123 | 7,121 |
| Compensated absences | | 23,189 | 27,815 | (30,473) | 20,531 | 10,266 |
| Total water and sewer fund | | 25,993,799 | 27,815 | (1,634,590) | 24,387,024 | 1,538,296 |
| Solid Waste Fund | | | | | | |
| Equipment lease | Various | 39,699 | - | (39,699) | - | - |
| Compensated absences | | 32,595 | 26,647 | (25,518) | 33,724 | 16,862 |
| Total solid waste fund | | 72,294 | 26,647 | (65,217) | 33,724 | 16,862 |
| Total business-type activities | | \$ 26,066,093 | 54,462 | (1,699,807) | 24,420,748 | 1,555,158 |
| Governmental Activities | | | | | | |
| 2003-A gross receipts tax | 4.20% | \$ 5,075,000 | - | (650,000) | 4,425,000 | 675,000 |
| 2003-B gross receipts tax | 4.00% | - | - | - | - | - |
| NMED loan | 2.00% | 2,453,808 | - | (141,892) | 2,311,916 | 144,730 |
| USDA loan | 4.38% | 503,260 | - | (92,000) | 411,260 | 98,000 |
| NMFA Police Vehicles | 1.78% | 89,367 | - | (29,284) | 60,083 | 29,756 |
| NMFA Fire Truck | 3.01% | 377,500 | - | (31,500) | 346,000 | 31,500 |
| Equipment lease | Various | 50,924 | - | (33,490) | 17,434 | 17,436 |
| Compensated absences | | 357,499 | 317,954 | (322,714) | 352,739 | 176,370 |
| Total governmental activities | | 8,907,358 | 317,954 | (1,300,880) | 7,924,432 | 1,172,792 |
| Grand total long-term debt | | \$ 34,973,451 | 372,416 | (3,000,687) | 32,345,180 | 2,727,950 |

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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> |
|---------------------------------------|-----------------------------------|---------------------------|
| 2014 | 17,712 | 7,234 |
| Total lease payments | 17,712 | 7,234 |
| Less Interest | (276) | (113) |
| Total | \$ 17,436 | 7,121 |

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.

| Fund | Transfer In | Transfer Out |
|------------------------------|--------------------|---------------------|
| Governmental Funds: | | |
| General Fund | \$ 301,789 | 464,602 |
| Infrastructure | - | 480,481 |
| Local DWI Grant | - | 6,042 |
| Municipal Street Improvement | - | 60,610 |
| Debt Service Funds: | | |
| 2003A GRT Revenue | 782,556 | - |
| Enterprise Funds: | | |
| Water Sewer | 60,610 | 118,444 |
| Solid Waste | - | 14,776 |
| Total | \$ 1,144,955 | 1,144,955 |

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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 \$488,028 reported in the Solid Waste Fund as an estimate of the landfill post-closure care costs. However, due to changes in technology, laws or regulations, these costs may change in the future.

NOTE 10. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy. Plan members are required to contribute from 13.15% to 16.30% (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, 2013

**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, 2013, 2012 and 2011 were \$823,752, \$791,092, and \$683,000, 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 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 2013, the Village contributed \$222,373 to the Plan. Plan members receiving benefits contributed \$41,020 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 | \$ 854,207 |
| Interest on net OPEB obligation | - |
| Adjustment to annual requirement contribution | - |
| Annual OPEB cost | 854,207 |
| Contributions made | <u>(263,393)</u> |
| Increase in net OPEB obligation | 590,814 |
| Net OPEB obligation, beginning of year | <u>1,856,787</u> |
| Net OPEB obligation, end of year | <u>\$ 2,447,601</u> |

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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 2013 and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|--|---------------------|
| 6/30/11 | \$ 595,559 | 48.8% | \$ 1,523,400 |
| 6/30/12 | 595,559 | 32.1% | 1,856,787 |
| 6/30/13 | 854,207 | 30.8% | 2,447,601 |

Funded Status and Funding Progress. As of June 30, 2013, the unfunded actuarial accrued liability (UAAL) was estimated at \$7,573,596.

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, 2013**

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.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NON-MAJOR FUNDS
June 30, 2013**

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 the 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)

Envelops the Community Oriented Policing Services Grant (COPS) and the Canine Program. Revenues are used to enhance community policing programs and enhance public safety to the community by hiring personnel, purchasing equipment and performing 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 need for the General Fund to totally support the cost of the care and housing of adults and juveniles.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NON-MAJOR FUNDS
June 30, 2013**

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 are 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 this mission include compassion, technical excellence and combined operational and fiscal efficiency.

Debt Service Fund

Gross Receipt Tax Revenue Bond 2003A (32)

The Village of Los Lunas currently has one service bond. The issue is the "Gross Receipts Tax Improvement Revenue Bonds, Series 2003A" in the amount of \$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 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 issuance of the Bonds.

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

Capital Projects Fund

Transportation Building (58)

To construct and track the costs for the transportation building and the other costs related to this project.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
June 30, 2013

| | Lodger's Tax | Municipal Street Improvement | Fire Fund | Recreation Fund | Police Program | Local Government Correction | Law Enforcement Protection | Emergency Medical Services | Local DWI | Total Special Revenue |
|--|------------------|------------------------------------|--------------|--------------------|-------------------|-----------------------------------|----------------------------------|----------------------------------|----------------|-----------------------------|
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ 88,913 | 616,605 | - | 271,455 | 1,173 | 98,193 | - | - | 235,477 | 1,311,816 |
| Investments | - | - | - | - | - | - | - | - | - | - |
| Taxes receivable, net | - | - | - | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - | - | - | - |
| Receivable from other governments | - | - | - | - | - | - | - | - | 1,747 | 1,747 |
| Other Receivables | 9,336 | 35,931 | - | - | - | - | - | - | - | 45,267 |
| Total assets | \$ 98,249 | 652,536 | - | 271,455 | 1,173 | 98,193 | - | - | 237,224 | 1,358,830 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | |
| LIABILITIES | | | | | | | | | | |
| Accounts payable | \$ 603 | 57,943 | - | 2,909 | 126 | 2,940 | - | - | 47,839 | 112,360 |
| Due to other funds | - | - | - | - | - | - | - | - | - | - |
| Other accrued expenses | - | - | - | - | - | - | - | - | 6,834 | 6,834 |
| Total liabilities | 603 | 57,943 | - | 2,909 | 126 | 2,940 | - | - | 54,673 | 119,194 |
| FUND BALANCES (DEFICIT) | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - | - |
| Restricted | 97,646 | - | - | 268,546 | 1,047 | 95,253 | - | - | 182,551 | 645,043 |
| Committed | - | - | - | - | - | - | - | - | - | - |
| Assigned | - | 594,593 | - | - | - | - | - | - | - | 594,593 |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| Total fund balances | 97,646 | 594,593 | - | 268,546 | 1,047 | 95,253 | - | - | 182,551 | 1,239,636 |
| Total liabilities and fund balances | \$ 98,249 | 652,536 | - | 271,455 | 1,173 | 98,193 | - | - | 237,224 | 1,358,830 |

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2013

| | Transportation Building Project | Total Capital Projects | 2003A Gross Receipts Tax Revenue Bond | Total Debt Service | Total Other Governmental Funds |
|--|---------------------------------------|---------------------------|---|-----------------------|--------------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | - | 212,557 | 212,557 | 1,524,373 |
| Investments | - | - | - | - | - |
| Taxes receivable, net | - | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Receivable from other governments | 3,419 | 3,419 | - | - | 5,166 |
| Other Receivables | - | - | - | - | 45,267 |
| Total assets | \$ 3,419 | 3,419 | 212,557 | 212,557 | 1,574,806 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable | \$ 1,340 | 1,340 | - | - | 113,700 |
| Due to other funds | 2,079 | 2,079 | - | - | 2,079 |
| Other accrued expenses | - | - | - | - | 6,834 |
| Total liabilities | 3,419 | 3,419 | - | - | 122,613 |
| FUND BALANCES (DEFICIT) | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted | - | - | 212,557 | 212,557 | 857,600 |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | 594,593 |
| Unassigned | - | - | - | - | - |
| Total fund balances | - | - | 212,557 | 212,557 | 1,452,193 |
| Total liabilities and fund balances | \$ 3,419 | 3,419 | 212,557 | 212,557 | 1,574,806 |

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, 2013

| | Lodger's Tax | Municipal Street Improvement | 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 | \$ 52,807 | 537,095 | - | 4,194 | - | - | - | - | - | 594,096 |
| State grants | - | - | 104,602 | - | 6,570 | - | 41,600 | 8,869 | 399,694 | 561,335 |
| Federal grants | - | - | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | 112,108 | - | 42,847 | - | - | 40,105 | 195,060 |
| Investment earnings | 42 | 247 | - | 42 | - | 42 | - | - | - | 373 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | - |
| Total revenues | 52,849 | 537,342 | 104,602 | 116,344 | 6,570 | 42,889 | 41,600 | 8,869 | 439,799 | 1,350,864 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 48,650 | - | - | - | - | - | - | - | - | 48,650 |
| Public safety | - | - | 70,351 | - | 11,686 | 24,477 | - | 9,591 | 534,656 | 650,761 |
| Public works | - | 103,331 | - | - | - | - | - | - | - | 103,331 |
| Health and welfare | - | - | - | - | - | - | - | - | - | - |
| Culture and recreation | - | - | - | 86,621 | - | - | - | - | - | 86,621 |
| Equity transfers out | - | - | - | - | - | - | - | - | - | - |
| Debt service | | | | | | | | | | |
| Principal | - | 175,382 | 30,682 | - | - | - | 28,951 | - | - | 235,015 |
| Interest and other charges | - | 51,012 | 10,898 | - | - | - | 1,701 | - | - | 63,611 |
| Capital outlay | - | - | - | 16,584 | - | - | 10,948 | - | - | 27,532 |
| Total expenditures | 48,650 | 329,725 | 111,931 | 103,205 | 11,686 | 24,477 | 41,600 | 9,591 | 534,656 | 1,215,521 |
| Excess (deficiency) of revenues over (under) expenditures | 4,199 | 207,617 | (7,329) | 13,139 | (5,116) | 18,412 | - | (722) | (94,857) | 135,343 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers, in | - | - | - | - | - | - | - | - | - | - |
| Transfers, out | - | (60,610) | - | - | - | - | - | - | (6,042) | (66,652) |
| Total other financing sources (uses) | - | (60,610) | - | - | - | - | - | - | (6,042) | (66,652) |
| Net change in fund balances | 4,199 | 147,007 | (7,329) | 13,139 | (5,116) | 18,412 | - | (722) | (100,899) | 68,691 |
| Fund balances, beginning of year | 93,447 | 447,586 | 7,329 | 255,407 | 6,163 | 76,841 | - | 722 | 283,450 | 1,170,945 |
| Fund balances, end of year | \$ 97,646 | 594,593 | - | 268,546 | 1,047 | 95,253 | - | - | 182,551 | 1,239,636 |

**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, 2013**

| | Transportation Building Project | Total Capital Projects | 2003A Gross Receipts Tax Revenue Bond | Total Debt Service | Total Other Governmental Funds |
|--|---------------------------------------|------------------------------|---|--------------------------|--------------------------------------|
| Revenues | | | | | |
| Sales and miscellaneous taxes | \$ - | - | - | - | 594,096 |
| State grants | - | - | - | - | 561,335 |
| Federal grants | 34,730 | 34,730 | - | - | 34,730 |
| Charges for services | - | - | - | - | 195,060 |
| Investment earnings | - | - | 36 | 36 | 409 |
| Miscellaneous | - | - | - | - | - |
| Total revenues | 34,730 | 34,730 | 36 | 36 | 1,385,630 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | - | - | - | - | 48,650 |
| Public safety | - | - | - | - | 650,761 |
| Public works | - | - | - | - | 103,331 |
| Health and welfare | - | - | - | - | - |
| Culture and recreation | - | - | - | - | 86,621 |
| Equity transfers out | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | 650,000 | 650,000 | 885,015 |
| Interest and other charges | - | - | 198,625 | 198,625 | 262,236 |
| Capital outlay | 34,730 | 34,730 | - | - | 62,262 |
| Total expenditures | 34,730 | 34,730 | 848,625 | 848,625 | 2,098,876 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (848,589) | (848,589) | (713,246) |
| Other Financing Sources (Uses) | | | | | |
| Transfers, in | - | - | 782,556 | 782,556 | 782,556 |
| Transfers, out | - | - | - | - | (66,652) |
| Total other financing sources (uses) | - | - | 782,556 | 782,556 | 715,904 |
| Net change in fund balances | - | - | (66,033) | (66,033) | 2,658 |
| Fund balances, beginning of year | - | - | 278,590 | 278,590 | 1,449,535 |
| Fund balances, end of year | \$ - | - | 212,557 | 212,557 | 1,452,193 |

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, 2013

| | Water Sewer | | | |
|--|---------------------|------------------|--|--|
| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
| | Original | Final | | |
| Revenues | | | | |
| Water sales and service | \$ 3,646,536 | 3,646,536 | 3,179,789 | (466,747) |
| Sewer sales and service | 2,632,266 | 2,632,266 | 2,447,054 | (185,212) |
| Taxes | 253,888 | 253,888 | 278,099 | 24,211 |
| Interest | 1,702 | 1,702 | 10,531 | 8,829 |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>6,534,392</u> | <u>6,534,392</u> | <u>5,915,473</u> | <u>(618,919)</u> |
| Expenditures | | | | |
| Water/sewer - treatment plant | 6,864,842 | 6,864,842 | 3,929,696 | 2,935,146 |
| Water/sewer - utility expense | 639,000 | 639,000 | 482,051 | 156,949 |
| Total expenditures | <u>7,503,842</u> | <u>7,503,842</u> | <u>4,411,747</u> | <u>3,092,095</u> |
| Other financing sources | | | | |
| Legislative appropriations | 50,000 | 50,000 | - | 50,000 |
| Operating transfers in | 60,610 | 60,610 | 60,610 | - |
| Operating transfers (out) | (118,444) | (118,444) | (118,444) | - |
| Proceeds from the issuance of debt | 353,000 | 353,000 | - | (353,000) |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ <u>(624,284)</u> | <u>(624,284)</u> | 1,445,892 | <u>2,070,176</u> |
| Depreciation expense | | | (2,170,487) | |
| Changes in accounts receivable | | | 219,803 | |
| Changes in accounts payable | | | (226,770) | |
| Changes in accrued liabilities | | | <u>(22,294)</u> | |
| GAAP change in net assets | | | <u>\$ (753,856)</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, 2013

| | Solid Waste | | | |
|--|---------------------|------------------|--|--|
| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
| | Original | Final | | |
| Revenues | | | | |
| Solid waste sales | \$ 2,029,760 | 2,029,760 | 2,216,530 | 186,770 |
| Intergovernmental | - | - | - | - |
| Taxes | 319,041 | 373,046 | 334,501 | (38,545) |
| Miscellaneous revenues | 8,000 | 8,000 | 2,314 | (5,686) |
| Interest | 771 | 771 | 1,147 | 376 |
| Total revenues | <u>2,357,572</u> | <u>2,411,577</u> | <u>2,554,492</u> | <u>142,915</u> |
| Expenditures | | | | |
| Solid waste expense | <u>2,671,758</u> | <u>2,725,763</u> | <u>2,026,836</u> | <u>698,927</u> |
| Total expenditures | <u>2,671,758</u> | <u>2,725,763</u> | <u>2,026,836</u> | <u>698,927</u> |
| Other financing sources | | | | |
| Operating transfers in (out) | <u>(14,776)</u> | <u>(14,776)</u> | <u>(14,776)</u> | <u>-</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ <u>(328,962)</u> | <u>(328,962)</u> | 512,880 | <u>841,842</u> |
| Depreciation expense | | | (137,933) | |
| Changes in accounts receivable | | | (33,217) | |
| Changes in accounts payable | | | 96,072 | |
| Changes in accrued liabilities | | | <u>30,424</u> | |
| GAAP change in net assets | | | <u>\$ 468,226</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, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
|--|------------------|---------------|--|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 53,325 | 53,325 | 45,843 | (7,482) |
| Interest | 100 | 100 | 42 | (58) |
| Total revenues | <u>53,425</u> | <u>53,425</u> | <u>45,885</u> | <u>(7,540)</u> |
| Expenditures | | | | |
| General government | 53,000 | 53,000 | 48,709 | 4,291 |
| Total expenditures | <u>53,000</u> | <u>53,000</u> | <u>48,709</u> | <u>4,291</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ <u>425</u> | <u>425</u> | (2,824) | <u>(3,249)</u> |
| Changes in accounts receivable | | | 6,964 | |
| Changes in accounts payable | | | 59 | |
| Changes in accrued liabilities | | | <u>-</u> | |
| GAAP change in fund balance | | | <u>\$ 4,199</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, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
|--|------------------|----------------|--|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 435,820 | 435,820 | 530,648 | 94,828 |
| Admin revenue | - | - | - | - |
| Interest | 328 | 328 | 247 | (81) |
| Total revenues | <u>436,148</u> | <u>436,148</u> | <u>530,895</u> | <u>94,747</u> |
| Expenditures | | | | |
| Public works | 125,000 | 125,000 | 132,549 | (7,549) |
| Debt service | 226,393 | 226,393 | 226,394 | (1) |
| Total expenditures | <u>351,393</u> | <u>351,393</u> | <u>358,943</u> | <u>(7,550)</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>24,145</u> | <u>24,145</u> | 111,342 | <u>87,197</u> |
| Changes in accounts receivable | | | 6,447 | |
| Changes in accounts payable | | | <u>29,218</u> | |
| GAAP change in fund balance | | | <u>\$ 147,007</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, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
|--|------------------|----------------|--|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 104,602 | 104,602 | 104,602 | - |
| Interest | - | - | - | - |
| Total revenues | <u>104,602</u> | <u>104,602</u> | <u>104,602</u> | <u>-</u> |
| Expenditures | | | | |
| Public Safety | 63,022 | 70,351 | 70,351 | - |
| Debt Service | 41,580 | 41,580 | 41,580 | - |
| Total expenditures | <u>104,602</u> | <u>111,931</u> | <u>111,931</u> | <u>-</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | (7,329) | (7,329) | - |

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, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
|--|--------------------|-----------------|--|--|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 2,833 | 2,833 | 4,194 | 1,361 |
| Interest | 100 | 100 | 42 | (58) |
| Charges for services | 91,933 | 91,933 | 112,108 | 20,175 |
| Total revenues | <u>94,866</u> | <u>94,866</u> | <u>116,344</u> | <u>21,478</u> |
| Expenditures | | | | |
| Culture and recreation | 103,100 | 103,100 | 84,328 | 18,772 |
| Capital outlay | 15,000 | 15,000 | 16,584 | (1,584) |
| Total expenditures | <u>118,100</u> | <u>118,100</u> | <u>100,912</u> | <u>17,188</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ <u>(23,234)</u> | <u>(23,234)</u> | 15,432 | <u>38,666</u> |
| Changes in accounts receivable | | | - | |
| Changes in accounts payable | | | <u>(2,293)</u> | |
| GAAP change in fund balance | | | <u>\$ 13,139</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, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
|--|------------------|---------------|--|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 18,000 | 18,000 | 6,570 | (11,430) |
| Miscellaneous revenues | - | - | - | - |
| Total revenues | <u>18,000</u> | <u>18,000</u> | <u>6,570</u> | <u>(11,430)</u> |
| Expenditures | | | | |
| Public safety | 18,000 | 18,000 | 11,560 | 6,440 |
| Total expenditures | <u>18,000</u> | <u>18,000</u> | <u>11,560</u> | <u>6,440</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | <u>\$ -</u> | <u>-</u> | <u>(4,990)</u> | <u>(4,990)</u> |
| Changes in accounts payable | | | <u>(126)</u> | |
| GAAP change in fund balance | | | <u>\$ (5,116)</u> | |

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
LOCAL GOVERNMENT CORRECTION
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
|--|--------------------|-----------------|--|--|
| | Original | Final | | |
| Revenues | | | | |
| Charges for services | \$ 49,328 | 49,328 | 42,847 | (6,481) |
| Interest | 213 | 213 | 42 | (171) |
| Total revenues | <u>49,541</u> | <u>49,541</u> | <u>42,889</u> | <u>(6,652)</u> |
| Expenditures | | | | |
| Public Safety | 68,000 | 68,000 | 25,667 | 42,333 |
| Total expenditures | <u>68,000</u> | <u>68,000</u> | <u>25,667</u> | <u>42,333</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ <u>(18,459)</u> | <u>(18,459)</u> | 17,222 | <u>35,681</u> |
| Changes in accounts payable | | | <u>1,190</u> | |
| GAAP change in fund balance | | | <u>\$ 18,412</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, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
|--|------------------|---------------|--|--|
| | Original | Final | | |
| Revenues | | | | |
| Government grants | \$ 41,600 | 41,600 | 41,600 | - |
| Interest | - | - | - | - |
| Total revenues | 41,600 | 41,600 | 41,600 | - |
| Expenditures | | | | |
| Debt service | 30,980 | 30,980 | 30,652 | 328 |
| Capital outlay | 10,620 | 10,620 | 10,948 | (328) |
| Total expenditures | 41,600 | 41,600 | 41,600 | - |
| Other financing sources (uses) | | | | |
| Operating transfers in (out) | - | - | - | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | - | - | - |

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
EMERGENCY MEDICAL SERVICE
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
|--|------------------|--------------|--|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 8,869 | 8,869 | 8,869 | - |
| Interest | - | - | - | - |
| Total revenues | 8,869 | 8,869 | 8,869 | - |
| Expenditures | | | | |
| Public safety | 8,869 | 9,591 | 9,591 | - |
| Total expenditures | 8,869 | 9,591 | 9,591 | - |
| Other financing sources (uses) | | | | |
| Operating transfers in (out) | - | - | - | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | (722) | (722) | - |

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, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
|--|---------------------|------------------|--|--|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 419,020 | 462,336 | 426,836 | (35,500) |
| Interest | - | - | - | - |
| Total revenues | <u>419,020</u> | <u>462,336</u> | <u>426,836</u> | <u>(35,500)</u> |
| Expenditures | | | | |
| Public safety | 527,942 | 571,358 | 487,816 | 83,542 |
| Total expenditures | <u>527,942</u> | <u>571,358</u> | <u>487,816</u> | <u>83,542</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in (out) | (6,042) | (6,042) | (6,042) | - |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ <u>(114,964)</u> | <u>(115,064)</u> | <u>(67,022)</u> | <u>48,042</u> |
| Changes in accounts receivable | | | 12,963 | |
| Changes in accounts payable | | | (44,981) | |
| Changes in accrued liabilities | | | <u>(1,859)</u> | |
| GAAP change in fund balance | | | <u>\$ (100,899)</u> | |

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
TRANSPORTATION BUILDING PROJECT
Year Ended June 30, 2013

| | Transportation | | | |
|--|------------------|----------------|--|--|
| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental revenue | \$ 950,000 | 950,000 | 34,730 | (915,270) |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>950,000</u> | <u>950,000</u> | <u>34,730</u> | <u>(915,270)</u> |
| Expenditures | | | | |
| Capital outlay | 950,000 | 950,000 | 34,730 | 915,270 |
| Total expenditures | <u>950,000</u> | <u>950,000</u> | <u>34,730</u> | <u>915,270</u> |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ - | - | - | - |

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
2003A GROSS RECEIPTS TAX REVENUE BOND
Year Ended June 30, 2013

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance from Final Budget Positive (Negative) |
|--|------------------|----------------|--|--|
| | Original | Final | | |
| Revenues | | | | |
| Interest revenue | \$ 32 | 32 | 36 | 4 |
| Total revenues | <u>32</u> | <u>32</u> | <u>36</u> | <u>4</u> |
| Expenditures | | | | |
| Debt service | 852,075 | 852,075 | 848,625 | 3,450 |
| Total expenditures | <u>852,075</u> | <u>852,075</u> | <u>848,625</u> | <u>3,450</u> |
| Other financing sources (uses) | | | | |
| Operating transfers in (out) | 852,075 | 852,075 | 782,556 | (69,519) |
| Revenues and other financing sources over (under) expenditures and other financing uses | \$ <u>32</u> | <u>32</u> | <u>(66,033)</u> | <u>(66,065)</u> |

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2013

| | Court Trust Fund | Central Solid Waste Authority | Central Dispatch | Municipal Court Bond | Total Agency Fund |
|---------------------------|---------------------|-------------------------------------|---------------------|-------------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,249 | 848,031 | 376,970 | 28,502 | 1,255,752 |
| Due from other agencies | - | 18,623 | 231,517 | - | 250,140 |
| Total Assets | \$ 2,249 | 866,654 | 608,487 | 28,502 | 1,505,892 |
| LIABILITIES | | | | | |
| Accounts payable | \$ 2,249 | - | 14,191 | - | 16,440 |
| Accrued liabilities | - | - | 21,375 | - | 21,375 |
| Due to other funds | - | 866,654 | 572,921 | 28,502 | 1,468,077 |
| Total Liabilities | \$ 2,249 | 866,654 | 608,487 | 28,502 | 1,505,892 |

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2013**

| | Wells Fargo | U.S. Bank | SECU | My Bank | Bank of Albuquerque |
|--|---------------------|-------------------|----------------|----------------|------------------------|
| Deposits in Bank or Savings and Loan | | | | | |
| Money market | \$ - | 3,829,071 | 2,300 | - | 212,557 |
| Bank deposits (checking) | 2,452,204 | 6,523,754 | - | - | - |
| Repurchase deposits | - | - | - | - | - |
| Certificates of deposit | - | - | 100,000 | 100,000 | 100,000 |
| | <u>2,452,204</u> | <u>10,352,825</u> | <u>102,300</u> | <u>100,000</u> | <u>312,557</u> |
| Less: FDIC insurance | 250,000 | 500,000 | 102,300 | 100,000 | 250,000 |
| Total uninsured public funds | <u>\$ 2,202,204</u> | <u>9,852,825</u> | <u>-</u> | <u>-</u> | <u>62,557</u> |
| Collateral requirement @ 50% | 1,101,102 | 4,926,413 | - | - | 31,279 |
| Collateral requirement @ 102% | - | - | - | - | - |
| Total required collateralization | <u>1,101,102</u> | <u>4,926,413</u> | <u>-</u> | <u>-</u> | <u>31,279</u> |
| Pledges and securities | | | | | |
| FN-AI 8345 CUSIP #3138ANHX4, 2.91%, due 08/01/2041 | 74,448 | - | - | - | - |
| FN AO 8765 CUSIP #3138MOW30, 3.0%, due 08/01/2042 | 688,834 | - | - | - | - |
| FN AR 0506 CUSIP #3138NWR43, 3.00%, due 12/01/2042 | 485,466 | - | - | - | - |
| FN AR 9199 CUSIP #3138W7GH1, 3.00%, due 03/01/2043 | 563,723 | - | - | - | - |
| FN AB 6309 CUSIP #31417DAK9, 3.00%, due 09/01/2042 | 77,824 | - | - | - | - |
| FN AE 0385 CUSIP #31419ANB9, 4.0%, due 09/01/2040 | 812,238 | - | - | - | - |
| FH LMC FGLMC GO1514 CUSIP #31283HVF9, due 02/02/2033 | - | 5,545,363 | - | - | - |
| FN MA POOL AE3232 CUSIP #31419DSW2, due 10/01/2025 | - | 2,712,789 | - | - | - |
| FN MA POOL AE9185 CUSIP #31419LF32, due 11/01/2025 | - | 1,621,619 | - | - | - |
| CARNVAL HILL - US TREASURY - ADMIN FD#0002 | | | | | 212,557 |
| SANTA FE GO BONDS CUSIP #801889LV6, due 07/01/2023 | | | | | |
| GNMA2 SINGLE FAMILY #36202FP67, 4.0%, due 02/20/2041 | - | - | - | - | - |
| GNMA2 SINGLE FAMILY #36202FQ66, 4.0%, due 03/20/2041 | - | - | - | - | - |
| FNMA CONV 10 YR #31417YWQ6, 3.5%, due 02/01/2021 | - | - | - | - | - |
| GNMA2 SINGLE FAMILY #36202FM78, 4.0%, due 12/20/2040 | - | - | - | - | - |
| Total pledged securities | <u>2,702,533</u> | <u>9,879,771</u> | <u>-</u> | <u>-</u> | <u>212,557</u> |
| Excess (deficiency) | <u>\$ 1,601,431</u> | <u>4,953,358</u> | <u>-</u> | <u>-</u> | <u>181,278</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: Bank of the West (Omaha, NE)

| Bank of the West | NMEFCU | New Mexico Bank & Trust | X-press Bill Pay | Total |
|---------------------|---------|----------------------------|---------------------|------------|
| 853,950 | - | - | 53,962 | 4,951,840 |
| 1,225,967 | - | - | - | 10,201,925 |
| - | - | - | - | - |
| 300,000 | 100,000 | 200,000 | - | 900,000 |
| 2,379,917 | 100,000 | 200,000 | 53,962 | 16,053,765 |
| 500,000 | 100,000 | 200,000 | 53,962 | 2,056,262 |
| 1,879,917 | - | - | - | 13,997,503 |
| 939,959 | - | - | - | 6,998,753 |
| - | - | - | - | - |
| 939,959 | - | - | - | 6,998,753 |
| - | - | - | - | 74,448 |
| - | - | - | - | 688,834 |
| - | - | - | - | 485,466 |
| - | - | - | - | 563,723 |
| - | - | - | - | 77,824 |
| - | - | - | - | 812,238 |
| - | - | - | - | 5,545,363 |
| - | - | - | - | 2,712,789 |
| - | - | - | - | 1,621,619 |
| | | | | 212,557 |
| | | 437,060 | | 437,060 |
| 47,882 | - | - | - | 47,882 |
| 107,999 | - | - | - | 107,999 |
| 167,429 | - | - | - | 167,429 |
| 776,502 | - | - | - | 776,502 |
| 1,099,812 | - | 437,060 | - | 14,331,733 |
| 159,853 | - | 437,060 | - | 7,332,980 |

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
Year Ended June 30, 2013

| | Wells Fargo | US Bank | SECU | My Bank | Bank of Albuquerque |
|--|-------------------|-------------------|----------------|----------------|---------------------|
| Deposits in Bank or Savings and Loan | | | | | |
| Money Market | \$ | 3,829,071 | 2,300 | | 212,557 |
| Bank deposits | 2,452,204 | 6,523,754 | | | |
| Repurchase deposits | | | | | |
| Certificates of deposit | | | 100,000 | 100,000 | 100,000 |
| Total bank balance | <u>2,452,204</u> | <u>10,352,825</u> | <u>102,300</u> | <u>100,000</u> | <u>312,557</u> |
| Reconciling items | | | | | |
| Outstanding checks | (741,439) | - | - | - | - |
| Deposits in transit | 2,731 | 105,165 | - | - | - |
| Other adjustments | (218,948) | - | - | - | - |
| Total adjustments | <u>(957,656)</u> | <u>105,165</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total book balance | 1,494,548 | 10,457,990 | 102,300 | 100,000 | 312,557 |
| Less agency fund balances included in bank balance | <u>1,255,752</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 238,796</u> | <u>10,457,990</u> | <u>102,300</u> | <u>100,000</u> | <u>312,557</u> |

| Bank of the West | NMEFCU | New Mexico Bank & Trust | X-press Bill Pay | Total |
|---------------------|---------|----------------------------|---------------------|------------|
| | | | | - |
| 853,950 | | | 53,962 | 4,951,840 |
| 1,225,967 | | | | 10,201,925 |
| | | | | - |
| 300,000 | 100,000 | 200,000 | | 900,000 |
| 2,379,917 | 100,000 | 200,000 | 53,962 | 16,053,765 |
| - | - | - | - | (741,439) |
| | | | | 107,896 |
| 219,922 | - | - | - | 974 |
| 219,922 | - | - | - | (632,569) |
| 2,599,839 | 100,000 | 200,000 | 53,962 | 15,421,196 |
| - | - | - | - | 1,255,752 |
| 2,599,839 | 100,000 | 200,000 | 53,962 | 14,165,444 |

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2013**

| | Court Trust Fund | Central Solid Waste Authority | Central Dispatch | Municipal Court Bond | Total |
|-----------------------------------|---------------------|-------------------------------------|---------------------|----------------------------|------------------|
| Assets, July 1, 2012 | \$ 1,157 | 758,449 | 496,203 | 26,841 | 1,282,650 |
| Increase | 21,871 | 329,890 | 354,116 | 1,661 | 707,538 |
| Decrease | (20,779) | (221,685) | (241,832) | - | (484,296) |
| Assets, June 30, 2013 | \$ 2,249 | 866,654 | 608,487 | 28,502 | 1,505,892 |
| Liabilities, July 1, 2012 | \$ 1,157 | 758,449 | 496,203 | 26,841 | 1,282,650 |
| Increase | 21,871 | 329,890 | 354,116 | 1,661 | 707,538 |
| Decrease | (20,779) | (221,685) | (241,832) | - | (484,296) |
| Liabilities, June 30, 2013 | \$ 2,249 | 866,654 | 608,487 | 28,502 | 1,505,892 |

STATE OF NEW MEXICO
 VILLAGE OF LOS LUNAS
 SCHEDULE OF JOINT POWERS AGREEMENTS
 June 30, 2013

| 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 | July 1, 2012 June 30, 2013 | Maximum \$150,000 | Unknown | Village of Los Lunas |

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

| <u>Federal Grantor or Pass-Through Grantor/Program Title</u> | <u>Passthrough Grant Number</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|---|---|------------------------------------|---------------------------------|
| U.S. Department of Justice | | | |
| Community Oriented Policing Services | | 16.710 | 83,626 |
| Edward Byrne Memorial Justice Assistance | | 16.738 | 11,323 |
| Bulletproof Vest Partnership | | 16.607 | \$ 6,140 |
| Total U.S. Department of Justice | | | <u>101,089</u> |
| U.S. Department of Transportation | | | |
| Transportation Building | | 20.526 | 34,730 |
| Passed Through the Sate of New Mexico Department of Transportation | | | |
| NM 314 Bike Enhancements (1) | A300890 | 20.205 | 110,722 |
| NM 6 & NM 263 Traffic Safety Enhancements (1) | A300653 | 20.205 | 259,392 |
| Total U.S. Department of Transportation | | | <u>404,844</u> |
| Total Federal Financial Asistance | | | <u>\$ 505,933</u> |

(1) Denotes major federal assistance program

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

| | |
|--|----------------------|
| Total federal awards expended per Schedule of Expenditures of Federal Awards | \$ 505,933 |
| Total expenditures funded by other sources | <u>27,041,818</u> |
| Total expenditures | <u>\$ 27,547,751</u> |

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Village of Los Lunas, New Mexico under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Village of Los Lunas, New Mexico, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village of Los Lunas, New Mexico.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting which is described in Note 2 to the financial statements. Pass-through entity identifying numbers are presented where available.

NOTE 3. SUBRECIPIENTS

The Village did not provide any federal awards to subrecipients during the year.

NOTE 4. LOAN BALANCES OUTSTANDING

No loan balances were outstanding as of June 30, 2013.

**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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund and major special revenue funds, of the Village of Los Lunas, New Mexico (the "Village") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Village, presented as supplemental information, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 statements 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 disclosure an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying *schedule of findings and questioned costs* as item 2012-05, 2013-01 and 2013-02.

The Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. The Village's responses were no subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

The logo for Axiom, featuring the word "Axiom" in a stylized, blue, cursive font.

Albuquerque, New Mexico
November 27, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the Village of Los Lunas, New Mexico's (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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on Each Major Federal Program

In our opinion the Village, complied, in all material respects, with the types of 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be report in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-06 and 2013-03. Our opinion on each major federal program is not modified with respect to these matters.

The Village's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Village, is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies. 2010-06.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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
November 27, 2013

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013**

STATUS OF PRIOR YEAR AUDIT FINDINGS

| | | |
|---------|--|----------------------|
| 2010-04 | Section 8 Annual Re-Examination - Eligibility | Resolved |
| 2010-06 | Section 8 Submission of REAC and SEMAP – Reporting | Revised and Repeated |
| 2011-02 | Postemployment Health Care Plan | Resolved |
| 2012-01 | Segregation of Duties for Cash Disbursement | Resolved |
| 2012-02 | Prior Period Adjustment-Interest Expense | Resolved |
| 2012-03 | Section 8 Compliance | Resolved |
| 2012-04 | Social Security Compliance | Resolved |
| 2012-05 | Expenditures in Excess of Budget | Revised and Repeated |

**STATE OF NEW MEXICO
 VILLAGE OF LOS LUNAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2013**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

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: Unmodified

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 | Name of Federal Program or Cluster |
|--------------------|---|
| 20.205 | Highway Planning and Construction |

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, 2013**

B. FINANCIAL STATEMENT FINDINGS

2013-01 Cash Disbursements (Other Matters)

CONDITION: Through the course of the current year audit pertaining to the cash disbursements transaction control cycle, we noted the following:

- In 11 out of 40 disbursements tested, purchase orders were created after the invoices were received by the Village.
- In 1 out of 40 instances a supporting receipt could not be located by the Village.
- In 1 out of 40 disbursements where the expenditure was posted to the wrong general ledger account by the Village.

CRITERIA: Village policy is to request a purchase order and have the purchase order approved before placing an order for goods or services. Also they are supposed to retain the appropriate supporting documentation and code to the appropriate account.

EFFECT: Lack of purchase orders submitted for approval prior to ordering goods or services raises the risk for improper use of public monies. Not coding to the appropriate account can lead to misstated account balances, and lack of support can be indicative of larger problems.

CAUSE: Department heads/supervisors that are authorized to request purchase orders often skip this step in the cash disbursements process and order the good or service prior to requesting the purchase order. The Village personnel appear to have misplaced the support and had a typo error in coding the account while posting.

RECOMMENDATION: It is recommended that the Village evaluate its current procedures related to the purchase order request process and ensure that it is compliant with all applicable laws, regulations, and internal Village policy and retain all documentation to provide support for purchases and ensure proper coding.

MANAGEMENT RESPONSE: The finance department has refocused attention on disbursements, specifically purchase orders by informing employees of the Village purchase order policy and reprimanding any employees who order goods or services prior to requesting a purchase order. The Village has also become more diligent in documenting instances where emergency orders had to be placed prior to purchase order approval and retaining supporting documentation and ensuring appropriate general ledger coding.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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, 2013**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2013-03 Late Submission of Data Collection Form (Other Matters and Non-Compliance)

FEDERAL PROGRAM

All

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

CONDITION: Per OMB Circular A-133 the entity is required to submit the data collection form to the federal audit clearinghouse by 9 months after the year end. As the Village's year end was June 30, 2012, the data collection form was submitted late.

CRITERIA: OMB Circular A-133 requires that the data collection form be submitted to the federal audit clearinghouse no later than 9 months after the year-end of the entity requiring a single audit unless an extension is granted.

EFFECT: Non-compliance with reporting of required information to the federal audit clearinghouse can cause for additional expenses to be incurred as the auditee cannot be considered low-risk and also other potential penalties.

CAUSE: Controls surrounding the reporting process did not allow for accurate completion of the required data collection form by the due date.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the Village re-evaluate its current procedures in place to ensure that all required forms are completed and submitted to the federal audit clearinghouse by the due date.

MANAGEMENT RESPONSE: Management agrees with auditor's recommendation and is working on establishing a process to track and ensure all reports are filled by their respective due date.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013**

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

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

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

Municipal Street Improvement Fund: \$7,550

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 reviewing the budgets on a modified accrual basis of accounting rather than the cash basis (budget methodology).

RECOMMENDATION: It is recommended that the Village monitor their budget on a cash basis and not on a modified accrual basis.

MANAGEMENT RESPONSE: Management agrees with auditor's recommendation.

2013-02 PERA Compliance (Other Matters)

CONDITION: During our audit of compliance with New Mexico Office of the State Auditor Rule 2.2.2.10.G.7, it was noted that in 7 of the 26 pay periods tested, contribution percentages remitted to PERA did not comply with statutory contribution percentage requirements.

CRITERIA: Section 10-11-15 to 10-11-115.7 NMSA 1978 set forth required contribution percentages for the employer and employee for various retirement plans.

EFFECT: Employer and Employee contributions could be underpaid.

CAUSE: PERA has requested that the Village present payroll information differently than they have previously, by breaking out special pay rates on separate lines for each employee on payroll reports submitted to PERA. This has required the Village IT department to develop special coding, an ongoing process which they are still refining in order to correctly calculate contribution percentage requirements.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2013**

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

2013-02 PERA Compliance (Other Matters) (continued)

RECOMMENDATION: The finance department, specifically payroll personnel, should work closely with the IT department to finalize the special coding required to correctly calculate contribution percentages.

MANAGEMENT RESPONSE: The Village IT Department will continue to work with payroll personnel to finalize code that will calculate the correct statutory contribution percentages in the new reporting format required by PERA.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
EXIT CONFERENCE
Year Ended June 30, 2013**

The contents of this report were discussed in the exit conference held on November 27, 2013, with the following in attendance:

Representing Village of Los Lunas:

| | |
|------------------|-----------------------|
| Robert Vialpando | Mayor |
| Gregory Martin | Village Administrator |
| Monica Clarke | Finance Officer |

Representing Axiom:

| | |
|--------------------------|-----------|
| Chris Garner, CPA | Principal |
| Christopher Schmitz, CPA | Manager |

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.