

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS

Financial Statements

June 30, 2014



*Certified Public Accountants
and Business Advisors LLC*

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STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS

Official Roster

June 30, 2014

Charles Griego	Mayor
Amanda Perea	Mayor Pro-Tem
Gerard Saiz	Councilor
Paulette Sanchez-Montoya	Councilor
Gino Romero	Councilor
Gregory Martin	Village Administrator
Monica Clarke	Finance Officer

INDEPENDENT AUDITOR'S REPORT

To the 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, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the Village of Los Lunas, New Mexico ("Village") as of and for the year ended June 30, 2014, 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 funds and the budgetary comparisons for all of the 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, 2014, 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 misstatement, 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 evaluating 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, 2014, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue fund 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, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons for all of the 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 the management's discussion and analysis on pages 8-17 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 other schedules as required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, in 2014 the Village adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014 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.



Albuquerque, New Mexico
November 26, 2014

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014

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 \$ 48,941,942 for fiscal year 2014.
- The Village's governmental revenues are \$ 18,495,229 for fiscal year 2014.
- The total cost of all Village governmental programs is \$ 17,865,825 for fiscal year 2014.

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, 2014

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, including budgetary comparison information, in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements include a combined balance sheet with all government funds and account types. In addition, a combined statement of revenues and expenditures for government activities and business activities is included.

The combined balances sheet contains the underlying information needed for the statement of net assets, which reports all financial and capital resources. The statement of net assets presents information on all of the Village's assets and liabilities using the accrual basis of accounting, with the difference between the two reported as net assets. Over time, increases or decreases in assets may determine whether the financial position of the Village is improving or deteriorating.

The combined statement of revenues and expenses illustrates the statement of activities for the Village. The statement of activities presents information that illustrates how the Village's net assets changed during the most recent fiscal year. Again, revenues and expenses are recorded using the accrual basis of accounting. The statement of activities includes revenue from governmental activities as well as business-type activities.

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

The government-wide financial statements can be found on pages 19 and 20 of this report.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

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 and Solid Waste Fund.

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

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 Position

Table A-1 summarizes the Village's net position for the fiscal year ending June 30, 2014.

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

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	14,423,885	13,673,038	5,703,565	5,563,240	20,127,450	19,236,278
Capital and non-current assets	45,083,396	45,870,341	55,662,436	57,659,480	100,745,832	103,529,821
Total assets	59,507,281	59,543,379	61,366,001	63,222,720	120,873,282	122,766,099
Current liabilities	2,042,386	2,124,606	2,421,348	2,668,133	4,463,734	4,792,739
Long-term liabilities	8,522,953	9,199,241	21,825,310	23,353,615	30,348,263	32,552,856
Total liabilities	10,565,339	11,323,847	24,246,658	26,021,748	34,811,997	37,345,595
Net Assets:						
Invested in capital assets, net of related debt and unspent bond proceeds	38,559,236	36,342,316	32,801,659	33,292,988	71,360,895	69,635,304
Restricted	6,787,398	2,660,158	-	-	6,787,398	2,660,158
Unrestricted	3,595,308	9,217,058	4,317,684	3,907,983	7,912,992	13,125,041
Total net assets	48,941,942	48,219,532	37,119,343	37,200,971	86,061,285	85,420,503

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

Financial Analysis of the Village as a Whole (Continued)

For the fiscal year ending June 30, 2014, the Village had \$45,083,396 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 2014, the Village disposed of obsolete and worn-out inventory. Capital assets (net of accumulated depreciation) make up approximately 76% of the Village's total assets from governmental activities. The Village utilized these assets to provide services to its citizens; therefore, these assets are not available for future spending.

In fiscal year 2014, the net assets from the Village's governmental funds decreased by 1.71% 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.

For fiscal year 2014, there is \$6,787,398 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 2014, 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 \$8,522,953 in bonds, notes and capital leases outstanding for governmental activities.

The Village entered into a loan agreement with New Mexico Finance Authority for the purchase of a Caterpillar Compact Track Loader with accessories in the amount of \$180,599. This equipment will be used for roadway maintenance. The Street Fund has pledged gasoline tax revenue to fund the annual debt service payment for the loan. For business-related activities, there was not any new debt issued.

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, 2014

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 2014.

Table A-2
Village of Los Lunas
Statement of Net Activities

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program revenues:						
Charges for services	1,709,536	1,608,728	8,593,158	8,642,559	10,302,694	10,251,287
Operating grants & contributions	985,739	1,052,118	-	-	985,739	1,052,118
Capital grants & contributions	689,440	404,844	-	-	689,440	404,844
General revenues:						
Property taxes	2,508,409	2,446,057	-	-	2,508,409	2,446,057
Other taxes	11,247,338	11,351,924	-	-	11,247,338	11,351,924
Miscellaneous interest & other revenues	1,354,767	828,498	140,987	(405,403)	1,495,754	423,095
	-	-	-	-	-	-
Total revenues	18,495,229	17,692,169	8,734,145	8,237,156	27,229,374	25,929,325
Expenses:						
General government	3,330,062	3,972,881	-	-	3,330,061	3,972,881
Public safety	6,679,463	6,827,643	-	-	6,679,463	6,827,643
Highways & streets	3,952,756	3,838,157	-	-	3,952,756	3,838,157
Culture & recreation	3,669,974	4,178,213	-	-	3,669,974	4,178,213
Health & welfare	-	18,445	-	-	-	18,445
Interest on long-term debt	233,570	262,236	-	-	233,570	262,236
Water/sewer	-	-	6,569,881	6,412,426	6,569,881	6,412,426
Solid waste	-	-	2,173,456	2,037,750	2,173,456	2,037,750
Transportation	-	-	-	-	-	-
Total expenses	17,865,825	19,097,575	8,743,337	8,450,176	26,609,161	27,547,751
Net revenues (loss) before Transfers	629,404	(1,405,406)	(9,192)	(213,020)	620,213	(1,618,426)
Transfers	93,006	93,194	(72,436)	(72,610)	20,570	20,584
Disposition of capital asset	-	-	-	-	-	-
Increase in net position	722,410	(1,312,212)	(81,628)	(285,630)	640,783	(1,597,842)
Net position, restated	-	-	-	-	-	-
Net position, beginning of year	48,219,532	49,531,744	37,200,971	37,486,601	85,420,503	87,018,345
Net position, end of year	48,941,942	48,219,532	37,119,343	37,200,971	86,061,286	85,420,503

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

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 \$ 13,251,990 and actual revenues received were \$14,595,389 (cash basis), which is a positive variance of \$1,343,399. In addition, the total General Fund expense budget was \$16,920,917 and actual expenditures were \$14,251,890, which is a positive variance of \$2,669,027.

Progress Highlights for Fiscal year 2014

- 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
- Completed landscape improvements at City Hall
- Continued design work on Transportation Building Project
- Purchased and began implementation of new financial software
- Purchased 3 new vehicles for the Police Department, 1 new vehicle for the Parks & Recreation Department, 1 new vehicle for the Fire Department and 2 vehicles for the Streets Department
- Completed NM 47 and Appaloosa Safety Enhancements with NMDOT HSIP Funding
- Completed NM314 Bike Enhancement Project with NMDOT STP-E Funding
- Completed park improvements at River Park
- Completed Enchantment Little League Improvements

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

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 2015 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 2014-15 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 \$39,569,824. The total estimated beginning cash balance is \$17,916,241, and the total ending cash balance on June 30, 2015, is projected to be \$16,184,983. This represents a net decrease in the total estimated ending cash balance of \$1,731,258 (-9.6%).

Gross receipts tax, including state shared and municipal gross receipts were budgeted to remain flat at \$8,327,759, representing 57% 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 \$2,444,783, representing approximately 17% of General Fund revenues.

Total expenditures for all funds are projected to be \$41,301,081, an increase of 1.97%, with General Fund expenditures projected to decrease by 10.9% or \$1,835,351.

Significant efforts continue to be directed toward community development related activities, including zoning cases and code enforcement cases. Community development expenses for fiscal year 2015 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)
 - Morris Road Extension

STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014

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

- 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 2015, we will strive to provide the following:

1. Continue to emphasize the importance of employee training to enhance staff's education and skills.
2. Continue to emphasize the importance of employee safety through the Village Employee Safety Program, in an effort to protect employees and 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.
4. Continue to offer 100% Village-paid health insurance for employees. Beginning in FY 2014-15, however, coverage for employees' dependents will be cost-shared, with the Village paying between 90 and 80 percent of the cost, and employees paying between 10 and 20 percent of the cost, depending on income level.
5. Continue to offer tuition and gym membership reimbursement benefit to promote higher education and employee wellness.

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. Several new restaurants and other retail shops and businesses have either opened, or will be announced in FY 2014-15, which should have a positive impact on Village gross receipts tax (GRT) revenue. The Village continues to pursue the development of a hospital or expanded healthcare facility in Los Lunas, as well as the University of New Mexico Valencia Campus (UNM-VC) Westside Learning Center, both of which would have a significant positive impact on the local economy.

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 \$13,973,083, and increase of 13% from fiscal year 2014. 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 \$3,580,839, a transaction that must be approved by the Office of the State Engineer.

**STATE OF NEW MEXICO VILLAGE OF LOS LUNAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2014**

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

Expenditures in the Water/Sewer Fund are projected to total \$14,533,198, which is a 12% increase from fiscal year 2014. 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 \$3,271,836. Again, this transaction must be approved by the Office of the State Engineer. In addition the Water/Sewer Fund has the following capital expenditures budgeted for FY 2014-15:

1. WWTP Digester Cleaning, \$134,000
2. WWTP MBR Upper Cassettes, \$1,900,000
3. P.E.R. Water System, \$43,665
4. Water Meter, \$75,000
5. Eastside Water Line Project, \$256,915
6. Upgrade Wells 3,4 & 5 to Hypochlorite, \$304,200
7. Well Monitoring Program, \$57,000
8. Sensus Hardware, \$31,700

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 glass grinder and commercial bailer for recycling in fiscal year 2015. As per Council policy, solid waste rates were increased in July 2013, and July 2014, based on the Consumer Price Index.

Requests for Information

This financial report is designed to provide a general overview of the Village's financial position for all those interested in our government finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Finance Officer
Village of Los Lunas
P.O. Box 1209
Los Lunas, New Mexico 87031

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF NET POSITION
June 30, 2014**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 9,987,082	3,585,816	13,572,898
Restricted cash	1,632,318	224,550	1,856,868
Investments	360,733	440,000	800,733
Accounts receivable	-	1,140,815	1,140,815
Due from other governments	2,389,788	263,593	2,653,381
Other receivables	53,964	-	53,964
Inventories	-	48,791	48,791
Total current assets	14,423,885	5,703,565	20,127,450
Investments	100,000	-	100,000
Capital assets, net of depreciation	44,983,396	55,662,436	100,645,832
Total assets	59,507,281	61,366,001	120,873,282
LIABILITIES			
Current liabilities			
Accounts payable	471,722	154,062	625,784
Accrued payroll expenses	224,429	39,237	263,666
Customer deposits	-	264,550	264,550
Interest payable	60,965	370,444	431,409
Due within one year			
Bonds, notes and capital leases	950,023	1,563,843	2,513,866
Compensated absences	335,247	29,212	364,459
Total current liabilities	2,042,386	2,421,348	4,463,734
Due in more than one year			
Bonds, notes and capital leases	5,474,137	21,267,722	26,741,859
Compensated absences	13,171	29,212	42,383
Post-closure landfill costs	-	528,376	528,376
Net other postemployment benefits obligation	3,035,645	-	3,035,645
Total liabilities	10,565,339	24,246,658	34,811,997
NET POSITION			
Net investment in capital assets	38,559,236	32,801,659	71,360,895
Restricted for			
Capital projects	2,678	-	2,678
Special projects and statutory requirements	3,536,502	-	3,536,502
Debt service	212,573	-	212,573
Unrestricted	6,630,953	4,317,684	10,948,637
Total net position	\$ 48,941,942	37,119,343	86,061,285

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Primary Government		
		Services	Grants and	Grants and	Governmental	Business-Type	Total
			Contributions	Contributions	Activities	Activities	
Primary government							
Governmental activities							
General government	\$ 3,330,062	1,411,248	455,094	24,184	(1,439,536)	-	(1,439,536)
Public safety	6,679,463	121,064	530,645	-	(6,027,754)	-	(6,027,754)
Public works	3,952,756	-	-	665,256	(3,287,500)	-	(3,287,500)
Culture and recreation	3,669,974	177,224	-	-	(3,492,750)	-	(3,492,750)
Interest on long-term debt	233,570	-	-	-	(233,570)	-	(233,570)
Total governmental activities	17,865,825	1,709,536	985,739	689,440	(14,481,110)	-	(14,481,110)
Business-Type Activities							
Water and sewer	6,569,881	6,046,512	-	-	-	(523,369)	(523,369)
Solid waste	2,173,456	2,546,646	-	-	-	373,190	373,190
Total business-type activities	8,743,337	8,593,158	-	-	-	(150,179)	(150,179)
Total primary government	\$ 26,609,162	10,302,694	985,739	689,440	(14,481,110)	(150,179)	(14,631,289)
General Revenues							
Taxes							
Property taxes, levied for general purposes					2,508,409	-	2,508,409
Franchise tax					403,740	-	403,740
Sales tax					10,125,693	-	10,125,693
Other taxes					717,905	-	717,905
Loss on disposition of capital assets					(563)	-	(563)
Unrestricted investment earnings					6,959	6,068	13,027
Miscellaneous					355,821	87,419	443,240
Legislative appropriations					992,550	47,500	1,040,050
Transfers, agency funds					20,570	-	20,570
Transfers					72,436	(72,436)	-
Total general revenues, special items, and transfers					15,203,520	68,551	15,272,071
Change in net position					722,410	(81,628)	640,782
Net position, beginning					48,219,532	37,200,971	85,420,503
Net position, ending					\$ 48,941,942	37,119,343	86,061,285

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,917,940	2,389,587	1,679,555	9,987,082
Restricted Cash	1,632,318	-	-	1,632,318
Investments	460,733	-	-	460,733
Receivable from other governments	1,721,897	649,467	18,424	2,389,788
Other receivables	130	-	53,834	53,964
Total assets	\$ 9,733,018	3,039,054	1,751,813	14,523,885
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 333,053	65,040	73,629	471,722
Accrued payroll expenditures	216,275	-	8,154	224,429
Total liabilities	549,328	65,040	81,783	696,151
DEFERRED INFLOWS				
Property taxes	170,630	-	-	170,630
Total deferred inflows	170,630	-	-	170,630
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	2,844,298	-	907,455	3,751,753
Committed	-	-	-	-
Assigned	-	2,974,014	762,575	3,736,589
Unassigned	6,168,762	-	-	6,168,762
Total fund balances	9,013,060	2,974,014	1,670,030	13,657,104
Total liabilities, deferred inflows and fund balances	\$ 9,733,018	3,039,054	1,751,813	14,523,885

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 POSITION
Year Ended June 30, 2014**

	<u>Governmental Activities</u>
Total Fund Balance Governmental Funds	
Governmental Funds Balance Sheet	\$ 13,657,104
Amounts reported for governmental activities in the statement of net position 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	100,669,845
Accumulated depreciation	<u>(55,686,449)</u>
Total capital assets	<u>44,983,396</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued interest	(60,965)
Bonds, notes and loans payable	(6,424,160)
Compensated absences payable	<u>(348,418)</u>
Total long-term and other liabilities	<u>(6,833,543)</u>
The liability recorded for the year ended June 30, 2014 related to postemployment benefits obligation is:	(3,035,645)
Some revenues will not be available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the governmental funds:	<u>170,630</u>
Net position of governmental activities (Statement of Net Position)	\$ <u><u>48,941,942</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, 2014

	General Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Sales and miscellaneous taxes	\$ 11,332,658	1,824,983	598,106	13,755,747
Fees and fines	74,976	-	-	74,976
Licenses and permits	99,538	-	-	99,538
State grants	290,814	357,000	572,245	1,220,059
Federal grants	133,295	308,256	13,569	455,120
Charges for Services	1,236,734	-	298,288	1,535,022
Investment earnings	6,745	-	214	6,959
Miscellaneous	355,821	-	-	355,821
Total revenues	13,530,581	2,490,239	1,482,422	17,503,242
Expenditures				
Current				
General government	2,337,841	-	47,985	2,385,826
Public safety	5,757,401	-	597,692	6,355,093
Public works	863,052	194,295	92,468	1,149,815
Culture and recreation	3,071,237	-	148,861	3,220,098
Debt service				
Principal	-	-	916,874	916,874
Interest and other charges	-	-	233,570	233,570
Capital outlay	1,790,967	1,316,523	192,210	3,299,700
Total expenditures	13,820,498	1,510,818	2,229,660	17,560,976
Excess (deficiency) of revenues over (under) expenditures before other financings sources (uses)	(289,917)	979,421	(747,238)	(57,734)
Other financing sources (uses)				
Legislative appropriations	992,550	-	-	992,550
Proceeds from issuance of debt	-	-	180,599	180,599
Transfers, in - governmental funds	306,741	-	850,233	1,156,974
Transfers, in - agency funds	20,570	-	-	20,570
Transfers, out	(468,781)	(550,000)	(65,757)	(1,084,538)
Total other financing sources (uses)	851,080	(550,000)	965,075	1,266,155
Net change in fund balances	561,163	429,421	217,837	1,208,421
Fund balances, beginning of year	8,451,897	2,544,593	1,452,193	12,448,683
Fund balances, end of year	\$ 9,013,060	2,974,014	1,670,030	13,657,104

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, 2014**

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

\$ 1,208,421

Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense.

Expenditures for capital assets	3,299,700
Loss on disposition of capital assets	(563)
Depreciation expense	<u>(4,186,082)</u>
	(886,945)

Issuance of debt provides financial resources to governmental funds, but the issuance increases long term liabilities in the Statement of Activities.

Loan payable	(180,599)
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Revenues in the governmental funds that provide current financial resources are not included in the Statement of Activities because they were recognized in a prior period.

Property taxes	(101,911)
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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.

683,444

Change in net position governmental activities

\$ 722,410

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)
GENERAL FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ 11,172,268	11,172,268	11,932,658	760,390
Fees and fines	159,035	159,035	174,976	15,941
Licenses and permits	67,369	67,369	99,538	32,169
State grants	66,145	66,145	290,814	224,669
Federal grants	390,984	390,984	433,295	42,311
Charges for services	1,268,421	1,268,421	1,286,734	18,313
Investment earnings	1,883	1,883	6,745	4,862
Miscellaneous	125,885	125,885	370,629	244,744
Total revenues	13,251,990	13,251,990	14,595,389	1,343,399
Expenditures				
Current				
General government	2,707,080	2,707,080	2,337,841	369,239
Public safety	6,073,371	6,123,371	5,957,401	165,970
Public works	895,549	895,549	863,052	32,497
Culture and recreation	3,484,724	3,484,724	3,302,629	182,095
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	3,710,193	3,710,193	1,790,967	1,919,226
Total expenditures	16,870,917	16,920,917	14,251,890	2,669,027
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	(3,618,927)	(3,668,927)	343,499	4,012,426
Other Financing Sources (Uses)				
Legislative appropriations	2,065,884	2,065,884	992,550	(1,073,334)
Transfers, in	327,311	327,311	327,311	-
Transfers, out	(470,623)	(470,623)	(468,781)	1,842
Total other financing sources (uses)	1,922,572	1,922,572	851,080	(1,071,492)
Net change in fund balances	\$ (1,696,355)	(1,746,355)	1,194,579	2,940,934
Reconciliation to GAAP Basis:				
Adjustments to revenues			(1,064,808)	
Adjustments to expenditures			431,392	
Net change in fund balance (GAAP)			\$ 561,163	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS -
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
INFRASTRUCTURE FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ 2,025,700	2,025,700	1,531,860	(493,840)
State grants	390,000	390,000	357,000	(33,000)
Federal grants	2,657,472	2,657,472	308,256	(2,349,216)
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>5,073,172</u>	<u>5,073,172</u>	<u>2,197,116</u>	<u>(2,876,056)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	106,000	106,000	194,295	(88,295)
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>3,549,016</u>	<u>3,549,016</u>	<u>1,402,043</u>	<u>2,146,973</u>
Total expenditures	<u>3,655,016</u>	<u>3,655,016</u>	<u>1,596,338</u>	<u>2,058,678</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>1,418,156</u>	<u>1,418,156</u>	<u>600,778</u>	<u>(817,378)</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	<u>(550,000)</u>	<u>(550,000)</u>	<u>(550,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(550,000)</u>	<u>(550,000)</u>	<u>(550,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ 868,156</u>	<u>868,156</u>	<u>50,778</u>	<u>(817,378)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			293,123	
Adjustments to expenditures			<u>85,520</u>	
Net change in fund balance (GAAP)			<u>\$ 429,421</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2014

	Enterprise Funds		
	Water Sewer	Solid Waste	
	Fund	Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 796,401	2,789,415	3,585,816
Restricted cash	224,550	-	224,550
Investments	240,000	200,000	440,000
Accounts receivable	782,882	357,933	1,140,815
Due from other governments	225,880	37,713	263,593
Inventories	48,791	-	48,791
Total current assets	2,318,504	3,385,061	5,703,565
Noncurrent Assets			
Capital assets	81,777,934	4,480,539	86,258,473
Less accumulated depreciation	(27,341,992)	(3,254,045)	(30,596,037)
Total noncurrent assets	54,435,942	1,226,494	55,662,436
Total assets	56,754,446	4,611,555	61,366,001
LIABILITIES			
Current Liabilities			
Accounts payable	120,762	33,300	154,062
Salaries payable	21,440	17,797	39,237
Customer deposits	264,550	-	264,550
Interest payable	370,444	-	370,444
Current portion of debt	1,575,818	17,237	1,593,055
Total current liabilities	2,353,014	68,334	2,421,348
Non-Current Liabilities			
Compensated absences	11,975	17,237	29,212
Post-closure landfill costs	-	528,376	528,376
Bonds, notes, loans and capital leases	21,267,722	-	21,267,722
Total liabilities	23,632,711	613,947	24,246,658
NET POSITION			
Net investment in capital assets	31,592,402	1,209,257	32,801,659
Restricted	-	-	-
Unrestricted	1,529,333	2,788,351	4,317,684
Total net position	\$ 33,121,735	3,997,608	37,119,343

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, 2014

	Enterprise Funds		
	Water Sewer	Solid Waste	
	Fund	Fund	Total
Operating Revenues			
Charges for services	\$ 6,046,512	2,546,646	8,593,158
Intergovernmental	-	-	-
Miscellaneous	84,680	2,739	87,419
Total operating revenues	6,131,192	2,549,385	8,680,577
Operating Expenses			
Personnel services	961,082	807,663	1,768,745
Non-payroll expenses	2,964,919	1,227,223	4,192,142
Depreciation	2,348,737	138,570	2,487,307
Total operating expenses	6,274,738	2,173,456	8,448,194
Operation (loss) income	(143,546)	375,929	232,383
Non-Operating Revenues (Expenses)			
Interest and investment revenue	4,960	1,108	6,068
Legislative appropriation	47,500	-	47,500
Interest expense	(295,143)	-	(295,143)
Total non-operating revenue (expenses)	(242,683)	1,108	(241,575)
(Loss) income before contributions and transfers	(386,229)	377,037	(9,192)
Transfers			
Transfers, in	60,610	-	60,610
Transfers, out	(117,986)	(15,060)	(133,046)
Change in net position	(443,605)	361,977	(81,628)
Net position, beginning of year	33,565,340	3,635,631	37,200,971
Net position, end of year	\$ 33,121,735	3,997,608	37,119,343

See Notes to Financial Statements.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2014

	Water Sewer Fund	Solid Waste Fund	Total
Cash Flows From Operating Activities			
Cash received from customers and others	\$ 6,255,039	2,577,840	8,832,879
Cash paid for goods and services	(3,222,306)	(1,214,924)	(4,437,230)
Cash paid to employees	(946,082)	(805,654)	(1,751,736)
Net cash provided by operating activities	2,086,651	557,262	2,643,913
Cash Flows From Investing Activities			
Purchases of capital assets	(360,480)	(129,783)	(490,263)
Cash received on legislative appropriations	47,500	-	47,500
Interest received	4,960	1,108	6,068
Net cash used by investing activities	(308,020)	(128,675)	(436,695)
Cash Flows From Non-Capital Financing			
Activities Operating transfers, net	(57,376)	(15,060)	(72,436)
Net cash used by non-capital financing activities	(57,376)	(15,060)	(72,436)
Cash Flows From Capital and Related			
Financing Activities			
Debt payment	(1,545,753)	-	(1,545,753)
Interest paid	(295,143)	-	(295,143)
Net cash used by capital and related financing activities	(1,840,896)	-	(1,840,896)
Net (decrease) increase in cash and cash equivalents	(119,641)	413,527	293,886
Cash and restricted cash and cash equivalents, beginning of year	1,140,592	2,375,888	3,516,480
Cash and restricted cash and cash equivalents, end of year	\$ 1,020,951	2,789,415	3,810,366
Reconciliation of Operating (Loss) Income to Net			
Cash Provided by Operating Activities			
Operating (loss) income	\$ (143,546)	375,929	232,383
Adjustments to operating (loss) income to net cash provided by operating activities:			
Depreciation expense	2,348,737	138,570	2,487,307
Change in assets and liabilities:			
Accounts receivable	(386,337)	(160,954)	(547,291)
Due from other governments	512,000	190,668	702,668
Inventory	(1,816)	-	(1,816)
Accounts payable	(160,421)	(29,308)	(189,729)
Customer deposits	6,485	-	6,485
Accrued liabilities	(102,135)	1,259	(100,876)
Compensated absences	13,684	750	14,434
Post closure landfill liability	-	40,348	40,348
Net cash provided by operating activities	\$ 2,086,651	557,262	2,643,913

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, 2014

ASSETS

Cash and cash equivalents	\$	1,671,578
Due from other agencies		<u>158,364</u>
Total assets	\$	<u><u>1,829,942</u></u>

LIABILITIES

Accounts payable	\$	16,638
Accrued liabilities		26,132
Long-term loan payable		313,260
Due to other funds		<u>1,473,912</u>
Total liabilities	\$	<u><u>1,829,942</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

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.

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.

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.

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.

GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, deferred outflows, liabilities, deferred inflows, 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.

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

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation - Fund Accounting (Continued)

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: Lodger's Tax, Municipal Street Improvements, Fire, Recreation, Police Program, Local Government Correction, Law Enforcement Protection, Emergency Medical Services and Local DWI.

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.

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.

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes, grants and appropriations. Revenue and receivables from gross receipts taxes are recognized when the underlying exchange transaction occurs.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Governmental fund types follow the current financial resources measurement focus and modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measureable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, and amounts collected within 60 days after year end).

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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2014, the Village reported no deferred outflows. Deferred inflows are reported in the governmental funds regarding property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 2014 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.
- 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information (Continued)

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2013 were collected in 2014, and taxes certified in 2014 will be collected in 2015. 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 cash held in the general fund which accounts for employee benefit activity.

G. Investments

Investments are stated at fair value and consist of certificates of deposit with a maturity of greater than three months.

H. Receivables

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

I. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable and as a deferred inflow of resources.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 related to prepaid insurance, 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.

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 classifies governmental fund balances as follows:

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance (Continued)

- 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.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources. Any residual balances are classified using the default policy for unrestricted fund balance: committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

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.

S. Fund Balance for Subsequent Years Expenditures

According to New Mexico State Statute and the New Mexico Department of Finance and Administration (DFA), the Village is required to reserve 1/12th of the general funds budgeted expenditures for subsequent year expenditures.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3. DEPOSITS AND INVESTMENTS

A. Cash and Investments

As of June 30, 2014, the Village had the following investments:

	<u>Fair Value</u>	<u>Weighted Maturity Average (Months)</u>
Certificates of deposit – Governmental	\$ 460,733	7.12
Certificates of deposit – Enterprise	440,000	6.29

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 portion of the Village's cash balances is exposed to custodial credit risk and was uncollateralized at June 30, 2014. See pledged collateral statement on pages 80 and 81 and related finding on page 88. The remaining balances are fully collateralized and the collateral is held in the Village's name. A full reconciliation of cash and investments and related pledged collateral statement for the Village is on pages 80 through 83.

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, 2014.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 4. RECEIVABLES

Receivables as of June 30, 2014 consisted of the following. All receivables as of June 30, 2014 were deemed to be fully collectible.

	General	Infrastructure	Other Governmental	Enterprise	
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>Total</u>
Receivables:					
Trade accounts	\$ -	-	-	1,140,815	1,140,815
Grants and other					
governments	66,397	346,349	18,424	263,593	694,763
Property taxes	204,396	-	-	-	204,396
Sales tax	1,399,159	303,118	-	-	1,702,277
Franchise tax	41,115	-	-	-	41,115
Other tax	10,830	-	53,834	-	64,664
Other receivables	130	-	-	-	130
Total receivables	\$ 1,722,027	649,467	72,258	1,404,408	3,848,160

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2014**

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets follows:

Governmental Activities	Balance June 30, 2013	Additions	Transfers/ Deletions	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 2,473,929	-	-	2,473,929
Construction in progress	2,407,660	1,601,966	(1,357,474)	2,652,152
Total capital assets not being depreciated	4,881,589	1,601,966	(1,357,474)	5,126,081
Capital assets being depreciated				
Land improvements	5,212,168	818,374	1,357,474	7,388,016
Buildings and improvements	16,127,186	56,315	-	16,183,501
Vehicles	4,642,885	521,561	(492,106)	4,672,340
Machinery and equipment	3,735,116	252,070	(16,738)	3,970,448
Capital leases	560,853	-	(563)	560,290
Infrastructure	62,719,755	49,414	-	62,769,169
Total capital assets being depreciated	92,997,963	1,697,734	848,067	95,543,764
Total capital assets	97,879,552	3,299,700	(509,407)	100,669,845
Less accumulated depreciation for				
Land improvements	(2,773,223)	(541,613)	-	(3,314,836)
Buildings and improvements	(5,194,063)	(486,710)	-	(5,680,773)
Vehicles	(3,964,053)	(282,377)	492,106	(3,754,324)
Machinery and equipment	(2,885,637)	(241,276)	16,738	(3,110,175)
Capital leases	(260,661)	(56,029)	-	(316,690)
Infrastructure	(36,931,574)	(2,578,077)	-	(39,509,651)
Total accumulated depreciation	(52,009,211)	(4,186,082)	508,844	(55,686,449)
Total capital assets being depreciated, net	40,988,752	(2,488,348)	1,356,911	39,857,315
Governmental activities Capital assets, net	\$ 45,870,341	(886,382)	(563)	44,983,396

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2014**

NOTE 5. CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets follows:

Business-Type Activities	Balance June 30, 2013	Additions	Transfers/ Deletions	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 1,207,228	-	-	1,207,228
Construction in progress	152,118	152,723	-	304,841
Water rights	3,467,910	-	-	3,467,910
Total capital assets not being depreciated	4,827,256	152,723	-	4,979,979
Capital assets being depreciated				
Land improvements	11,671	-	-	11,671
Buildings and improvements	19,537,456	5,265	-	19,542,721
Vehicles	3,565,974	124,518	(29,867)	3,660,625
Machinery and equipment	885,834	77,500	-	963,334
Water/sewer plant	56,972,886	130,257	(3,000)	57,100,143
Landfill Open/Close in Progress	-	-	-	-
Total capital assets being depreciated	80,973,821	337,540	(32,867)	81,278,494
Total capital assets	85,801,077	490,263	(32,867)	86,258,473
Less accumulated depreciation for				
Land improvements	(9,045)	(583)	-	(9,628)
Buildings and improvements	(1,772,601)	(592,124)	-	(2,364,725)
Vehicles	(3,358,165)	(124,759)	29,867	(3,453,057)
Machinery and equipment	(830,371)	(27,082)	-	(857,453)
Water/sewer plant	(22,171,415)	(1,742,759)	3,000	(23,911,174)
Total accumulated depreciation	(28,141,597)	(2,487,307)	32,867	(30,596,037)
Total capital assets being depreciated, net	52,832,224	(2,149,767)	-	50,682,457
Business-type activities Capital assets, net	\$ 57,659,480	(1,997,044)	-	55,662,436

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

Governmental activities

General government	\$ 608,894
Public safety	324,370
Public works	2,802,941
Culture and recreation	449,877
	<u>\$ 4,186,082</u>

Business-type activities

Water/Sewer	\$ 2,348,737
Solid Waste	138,570
	<u>\$ 2,487,307</u>

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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
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>\$ 269,000</u>	<u>39,331</u>

Gross Receipts Tax Revenue Bonds - Government

	Principal	Interest
2015	\$ 700,000	150,250
2016	725,000	123,650
2017	750,000	95,375
2018	775,000	65,375
2019	800,000	33,600
Total	<u>\$ 3,750,000</u>	<u>468,250</u>

Government Notes Payable

	Principal	Interest
2015	\$ 249,598	56,351
2016	222,863	51,638
2017	227,311	47,246
2018	231,920	42,523
2019	194,277	37,488
2020 – 2024	997,718	120,313
2025 – 2027	550,473	22,175
Total	<u>\$ 2,674,160</u>	<u>377,734</u>

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6. LONG-TERM DEBT (CONTINUED)

Enterprise Notes Payable

	Principal	Interest
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	1,338,729	443,186
2020 – 2024	6,420,723	1,683,804
2025 – 2029	6,207,162	839,186
2030 – 2032	2,317,849	97,693
Total	<u>\$ 22,562,565</u>	<u>5,239,443</u>

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2014**

NOTE 6. LONG-TERM DEBT (CONTINUED)

The changes to long-term debt are as follows:

	Interest Rate	Balance June 30, 2013	Increase	(Decrease)	Balance June 30, 2014	Amounts Due Within One Year
Business-type activities:						
Water and sewer fund						
Wastewater facility construction loan	2.00%	\$ 1,562,830	-	(300,311)	1,262,519	306,317
Drinking water state revolving loan	2.54%	1,770,943	-	(205,344)	1,565,599	211,040
Clean water state revolving loan	2.00%	2,232,692	-	(152,087)	2,080,605	155,129
Clean water state revolving loan 2008	3.00%	14,729,218	-	(635,667)	14,093,551	647,634
Joint water & sewer system revenue bond	4.75%	316,000	-	(47,000)	269,000	49,000
NMFA drinking water loan	2.00%	3,613,381	-	(180,485)	3,432,896	187,795
NMFA water/sewer river crossing loan	0.25%	134,306	-	(6,911)	127,395	6,928
Equipment lease	Various	7,123	-	(7,123)	-	-
Compensated absences	N/A	20,531	31,783	(28,364)	23,950	11,975
Total water and sewer fund		24,387,024	31,783	(1,563,292)	22,855,515	1,575,818
Solid Waste Fund						
Compensated absences		33,724	26,905	(26,155)	34,474	17,237
Total solid waste fund		33,724	26,905	(26,155)	34,474	17,237
Total business-type activities		\$ 24,420,748	58,688	(1,589,447)	22,889,989	1,593,055
Governmental Activities						
2003-A gross receipts tax	3.70%	\$ 4,425,000	-	(675,000)	3,750,000	700,000
NMED loan	2.00%	2,311,916	-	(144,730)	2,167,186	147,625
NMFA Police Vehicles	1.78%	60,083	-	(29,756)	30,327	30,327
NMFA Fire Truck	3.01%	346,000	-	(31,500)	314,500	32,000
NMFA Road Equipment	1.21%	-	180,599	(18,452)	162,147	40,071
Equipment lease	Various	17,436	-	(17,436)	-	-
Compensated absences	N/A	352,739	330,926	(335,247)	348,418	335,247
Total governmental activities		7,513,174	511,525	(1,252,121)	6,772,578	1,285,270
Grand total long-term debt		\$ 31,933,922	570,213	(2,841,568)	29,662,567	2,878,325
Agency Fund (Central Dispatch)						
USDA loan	4.38%	\$ 411,260	-	(98,000)	313,260	102,000
Total agency fund (Central Dispatch)		\$ 411,260	-	(98,000)	313,260	102,000

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

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		
Governmental Funds:	Transfer In	Transfer Out
General Fund	\$ 327,311	468,781
Infrastructure	-	550,000
Local DWI Grant	-	5,147
Municipal Street Improvement	-	60,610
Debt Service Funds:		
2003A GRT Revenue	850,233	-
Enterprise Funds:		
Water Sewer	60,610	117,986
Solid Waste	-	15,060
Agency Fund:		
Central Dispatch	-	20,570
Total	\$ 1,238,154	1,238,154

NOTE 8. INSURANCE COVERAGE

The Village is exposed to various risks of loss from torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the Village carries insurance through the New Mexico Self-Insurers' Fund. The following is a summary of some of the more significant insurance coverage information related to the Village.

Coverage provided to the Village through the New Mexico Self-Insurers' Fund included tort liability limits for casualty coverage (general, automobile, civil rights and public officials' liability) on a "claims made" basis. Property is subject to a limit of \$100,000 per occurrence. Law enforcement liability, public officials' errors and omissions, and foreign jurisdiction are all individually subject to \$1 million per occurrence / \$1 million aggregate.

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 \$528,376 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. Actual costs incurred during 2014 for the care of the landfill amounted to \$18,175.

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 6.28% to 18.15% depending upon the plan - i.e., state general, 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 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, 2014, 2013 and 2012 were \$786,856, \$823,752, and \$791,092, respectively, which equal the amount of the required contributions for each fiscal year.

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

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 2014, the Village contributed \$227,311 to the Plan. Plan members receiving benefits contributed \$38,852 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	(266,163)
Increase in net OPEB obligation	588,044
Net OPEB obligation, beginning of year	2,447,601
Net OPEB obligation, end of year	\$ 3,035,645

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/12	\$ 595,559	32.1%	\$ 1,856,787
6/30/13	\$ 854,207	34.9%	\$ 2,447,601
6/30/14	\$ 854,207	28.1%	\$ 3,035,645

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 11. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

Funded Status and Funding Progress. As of June 30, 2014, 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.

In the July 1, 2007, actuarial valuation, the Project Unit Credit actuarial cost method (PUC) was used. An annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 10 years, was used. Both rates included a 4.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2007 was 30 years. The 2007 ARC was based on a 45% discount rate and a 20% salary growth.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 12. CONDUIT DEBT OBLIGATIONS

The Village issued \$50,000,000 of taxable Industrial Revenue Bonds to provide financing for the acquisition and construction and equipping of an industrial revenue project. The bonds are secured by the property financed and are payable solely from payment received on the underlying mortgage loans. For a separate project, the Village approved to issue \$80,000,000 of taxable Industrial Revenue Bonds to provide financing acquisition, contraction and installation of an industrial revenue project in 2005. Neither the Village nor any political subdivision of the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

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

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement, which is effective for financial statements for periods beginning after December 15, 2012, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Village adopted GASB Statement No. 65 during fiscal year 2014. The Village currently has no deferred outflows. Deferred inflows are reported regarding property taxes.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62*. This statement, which is effective for financial statements for periods beginning after December 15, 2012, amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 13. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The adoption of GASB Statement No. 66 had no effect on the Village's financial statements.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This statement, which is effective for financial statements for periods beginning after June 15, 2013, replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The Village is a participant in the State of New Mexico's Public Employee Retirement Association (PERA). PERA as the plan's administrator, implemented this new pronouncement during fiscal year 2014.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement, which is effective for financial statements for periods beginning after June 15, 2013, requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The adoption of this pronouncement had no effect on the Village's financial statements.

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2014.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Upon adoption of this statement for the year ended June 30, 2015, the Statement of Net Position will include a material liability for pension participation in fiscal year 2015.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 14. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

The Village will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The Village believes that GASB Statement No. 69 and 71 will not have a significant financial impact to the Village or in issuing its financial statements.

NOTE 15. SUBSEQUENT EVENTS

On July 18, 2014 the New Mexico Department of Finance and Administration approved the Village's issuance of gross receipts tax refunding revenue bonds series 2014 in the amount of \$3,475,000. The Village will use the proceeds of the bonds to refund its gross receipts tax revenue bonds series 2003A (the "refunded bonds") and will result in approximated savings of \$229,988 on a net present value basis, or 6.133% of the outstanding principal amount of the refunded bonds. The closing date on issuance of the refunding series 2014 bonds was July 22, 2014. The bonds will mature April 1, 2019 and will bear 2% interest through April 2017 and 3% through April 2019.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NON-MAJOR FUNDS
June 30, 2014**

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, 2014**

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.

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.

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.

Capital Projects Fund

Transportation Building (58)

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

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

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
NON-MAJOR FUNDS
June 30, 2014**

Debt Service Fund (Continued)

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
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
June 30, 2014

	Special Revenue Funds			
	Lodger's Tax	Municipal Street Improvement	Fire Fund	Recreation Fund
ASSETS				
Cash and cash equivalents	\$ 101,931	729,299	526	300,926
Investments	-	-	-	-
Due from other funds	-	-	-	-
Receivable from other governments	-	-	-	-
Other Receivables	9,389	44,445	-	-
Total assets	\$ 111,320	773,744	526	300,926
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 70	11,169	-	6,422
Due to other funds	-	-	-	-
Accrued payroll expenditures	-	-	-	-
Total liabilities	70	11,169	-	6,422
DEFERRED INFLOWS				
Property taxes	-	-	-	-
Total deferred inflows	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	111,250	-	526	294,504
Committed	-	-	-	-
Assigned	-	762,575	-	-
Unassigned	-	-	-	-
Total fund balances	111,250	762,575	526	294,504
Total liabilities, deferred inflows and fund balances	\$ 111,320	773,744	526	300,926

Special Revenue Funds (Continued)						
Police Program	Local Government Correction	Law Enforcement Protection	Emergency Medical Services	Local DWI	Total Special Revenue	
7,192	122,094	-	-	205,014	1,466,982	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	15,746	15,746	
-	-	-	-	-	53,834	
7,192	122,094	-	-	220,760	1,536,562	
-	36,823	-	-	19,145	73,629	
-	-	-	-	-	-	
-	-	-	-	8,154	8,154	
-	36,823	-	-	27,299	81,783	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
7,192	85,271	-	-	193,461	692,204	
-	-	-	-	-	-	
-	-	-	-	-	762,575	
-	-	-	-	-	-	
7,192	85,271	-	-	193,461	1,454,779	
7,192	122,094	-	-	220,760	1,536,562	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2014

	Transportation Building Project	Total Capital Projects	2003A Gross Receipts Tax Revenue Bond	Total Debt Service	Total Other Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	-	212,573	212,573	1,679,555
Investments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Receivable from other governments	2,678	2,678	-	-	18,424
Other Receivables	-	-	-	-	53,834
Total assets	\$ 2,678	2,678	212,573	212,573	1,751,813
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	-	-	-	73,629
Due to other funds	-	-	-	-	-
Accrued payroll expenditures	-	-	-	-	8,154
Total liabilities	-	-	-	-	81,783
DEFERRED INFLOWS					
Property taxes	-	-	-	-	-
Total deferred inflows	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	2,678	2,678	212,573	212,573	907,455
Committed	-	-	-	-	-
Assigned	-	-	-	-	762,575
Unassigned	-	-	-	-	-
Total fund balances	2,678	2,678	212,573	212,573	1,670,030
Total liabilities, deferred inflows and fund balances	\$ 2,678	2,678	212,573	212,573	1,751,813

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, 2014

	Special Revenue Funds			
	Lodger's Tax	Municipal Street Improvement	Fire Fund	Recreation Fund
Revenues				
Sales and miscellaneous taxes	\$ 61,589	529,403	-	7,114
State grants	-	-	101,936	-
Federal grants	-	-	-	-
Charges for services	-	-	-	177,224
Investment earnings	-	206	-	-
Miscellaneous	-	-	-	-
Total revenues	61,589	529,609	101,936	184,338
Expenditures				
Current				
General government	47,985	-	-	-
Public safety	-	-	60,139	-
Public works	-	92,468	-	-
Culture and recreation	-	-	-	148,861
Debt service				
Principal	-	180,618	31,500	-
Interest and other charges	-	47,345	9,771	-
Capital outlay	-	161,185	-	9,519
Total expenditures	47,985	481,616	101,410	158,380
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	13,604	47,993	526	25,958
Other financing sources (uses)				
Proceeds from issuance of debt	-	180,599	-	-
Transfers, in	-	-	-	-
Transfers, out	-	(60,610)	-	-
Total other financing sources (uses)	-	119,989	-	-
Net change in fund balances	13,604	167,982	526	25,958
Fund balances, beginning of year	97,646	594,593	-	268,546
Fund balances, end of year	\$ 111,250	762,575	526	294,504

Special Revenue Funds (Continued)					
Police Program	Local Government Correction	Law Enforcement Protection	Emergency Medical Service	Local DWI	Total Special Revenue
-	-	-	-	-	598,106
12,577	-	41,600	-	416,132	572,245
-	-	-	-	-	-
-	47,572	-	10,226	63,266	298,288
-	-	-	-	-	206
-	-	-	-	-	-
12,577	47,572	41,600	10,226	479,398	1,468,845
-	-	-	-	-	47,985
6,432	57,554	-	10,226	463,341	597,692
-	-	-	-	-	92,468
-	-	-	-	-	148,861
-	-	29,756	-	-	241,874
-	-	1,229	-	-	58,345
-	-	10,615	-	-	181,319
6,432	57,554	41,600	10,226	463,341	1,368,544
6,145	(9,982)	-	-	16,057	100,301
-	-	-	-	-	180,599
-	-	-	-	-	-
-	-	-	-	(5,147)	(65,757)
-	-	-	-	(5,147)	114,842
6,145	(9,982)	-	-	10,910	215,143
1,047	95,253	-	-	182,551	1,239,636
7,192	85,271	-	-	193,461	1,454,779

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, 2014

	Transportation Building Project	Total Capital Projects	2003A Gross Receipts Tax Revenue Bond	Total Debt Service	Total Other Governmental Funds
Revenues					
Sales and miscellaneous taxes	\$ -	-	-	-	598,106
State grants	-	-	-	-	572,245
Federal grants	13,569	13,569	-	-	13,569
Charges for services	-	-	-	-	298,288
Investment earnings	-	-	8	8	214
Miscellaneous	-	-	-	-	-
Total revenues	13,569	13,569	8	8	1,482,422
Expenditures					
Current					
General government	-	-	-	-	47,985
Public safety	-	-	-	-	597,692
Public works	-	-	-	-	92,468
Culture and recreation	-	-	-	-	148,861
Debt service					
Principal	-	-	675,000	675,000	916,874
Interest and other charges	-	-	175,225	175,225	233,570
Capital outlay	10,891	10,891	-	-	192,210
Total expenditures	10,891	10,891	850,225	850,225	2,229,660
Excess (deficiency) of revenues over (under) expenditures before other financing source (uses)	2,678	2,678	(850,217)	(850,217)	(747,238)
Other financing sources (uses)					
Proceeds from issuance of debt	-	-	-	-	180,599
Transfers, in	-	-	850,233	850,233	850,233
Transfers, out	-	-	-	-	(65,757)
Total other financing sources (uses)	-	-	850,233	850,233	965,075
Net change in fund balances	2,678	2,678	16	16	217,837
Fund balances, beginning of year	-	-	212,557	212,557	1,452,193
Fund balances, end of year	\$ 2,678	2,678	212,573	212,573	1,670,030

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, 2014

	Water Sewer			
	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 9,803,065	9,803,065	6,172,175	(3,630,890)
Intergovernmental	253,888	253,888	-	(253,888)
Miscellaneous	1,702	1,702	84,680	82,978
Total revenues	10,058,655	10,058,655	6,256,855	(3,801,800)
Expenses				
Personnel services	1,052,347	1,052,347	1,056,732	(4,385)
Non-payroll expenses	9,635,992	9,635,992	3,125,340	6,510,652
Total expenses	10,688,339	10,688,339	4,182,072	6,506,267
Other financing sources				
Interest and investment revenue	-	-	4,960	4,960
Legislative appropriations	-	-	47,500	47,500
Interest expense	(295,143)	(295,143)	(295,143)	-
Operating transfers in	60,610	60,610	60,610	-
Operating transfers (out)	(117,986)	(117,986)	(117,986)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ <u>(982,203)</u>	<u>(982,203)</u>	1,774,724	<u>2,756,927</u>
Unbudgeted revenues and expenses:				
Depreciation expense			(2,348,737)	
Changes in accounts receivable			(125,663)	
Changes in accounts payable			160,421	
Changes in accrued liabilities			95,650	
GAAP change in net position			<u>\$ (443,605)</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, 2014

	Solid Waste			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 2,037,812	2,037,812	2,576,360	538,548
Intergovernmental	319,041	319,041	-	(319,041)
Miscellaneous	-	-	2,739	2,739
Total revenues	<u>2,356,853</u>	<u>2,356,853</u>	<u>2,579,099</u>	<u>222,246</u>
Expenses				
Personnel services	886,859	886,859	806,404	80,455
Non-payroll expenses	1,691,580	1,691,580	1,256,531	435,049
Total expenses	<u>2,578,439</u>	<u>2,578,439</u>	<u>2,062,935</u>	<u>515,504</u>
Other financing sources				
Interest and investment revenue	719	719	1,108	389
Legislative appropriations	-	-	-	-
Interest expense	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers (out)	(15,060)	(15,060)	(15,060)	-
Revenues and other financing sources (uses) over (under) expenditures	\$ <u>(235,927)</u>	<u>(235,927)</u>	502,212	<u>738,139</u>
Unbudgeted revenues and expenses:				
Depreciation expense			(138,570)	
Changes in accounts receivable			(29,714)	
Changes in accounts payable			29,308	
Changes in accrued liabilities			<u>(1,259)</u>	
GAAP change in net position			<u>\$ 361,977</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, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales and miscellaneous taxes	\$ 56,359	56,359	55,619	(740)
State grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	25	25	-	(25)
Miscellaneous	-	-	-	-
Total revenues	<u>56,384</u>	<u>56,384</u>	<u>55,619</u>	<u>(765)</u>
Expenditures				
Current				-
General government	53,000	53,000	51,334	1,666
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>53,000</u>	<u>53,000</u>	<u>51,334</u>	<u>1,666</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>3,384</u>	<u>3,384</u>	<u>4,285</u>	<u>901</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 3,384</u>	<u>3,384</u>	<u>4,285</u>	<u>901</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			5,970	
Adjustments to expenditures			<u>3,349</u>	
Net change in fund balance (GAAP)			<u>\$ 13,604</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, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ 435,820	435,820	520,889	85,069
State grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	328	328	206	(122)
Miscellaneous	-	-	-	-
Total revenues	436,148	436,148	521,095	84,947
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	125,000	125,000	119,828	5,172
Culture and recreation	-	-	-	-
Debt service				
Principal	180,618	180,618	180,618	-
Interest and other charges	45,351	45,351	47,345	(1,994)
Capital outlay	-	-	-	-
Total expenditures	350,969	350,969	347,791	3,178
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	85,179	85,179	173,304	88,125
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	(60,610)	(60,610)	(60,610)	-
Total other financing sources (uses)	(60,610)	(60,610)	(60,610)	-
Net change in fund balances	\$ 24,569	24,569	112,694	88,125
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			8,514	
Adjustments to expenditures			46,774	
Net change in fund balance (GAAP)			\$ 167,982	

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, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ -	-	-	-
State grants	101,936	101,936	101,936	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>101,936</u>	<u>101,936</u>	<u>101,936</u>	<u>-</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	60,665	60,665	60,139	526
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	31,500	31,500	31,500	-
Interest and other charges	9,771	9,771	9,771	-
Capital outlay	-	-	-	-
Total expenditures	<u>101,936</u>	<u>101,936</u>	<u>101,410</u>	<u>526</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>-</u>	<u>526</u>	<u>526</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>526</u>	<u>526</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP)			<u>\$ 526</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
RECREATION FUND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ 6,796	6,796	7,114	318
State grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	135,133	149,133	177,224	28,091
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>141,929</u>	<u>155,929</u>	<u>184,338</u>	<u>28,409</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	131,296	145,296	145,348	(52)
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>9,519</u>	<u>5,481</u>
Total expenditures	<u>146,296</u>	<u>160,296</u>	<u>154,867</u>	<u>5,429</u>
Excess (deficiency) of revenues over (under) expenditures before other financing source (uses)	<u>(4,367)</u>	<u>(4,367)</u>	<u>29,471</u>	<u>33,838</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (4,367)</u>	<u>(4,367)</u>	<u>29,471</u>	<u>33,838</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			<u>(3,513)</u>	
Net change in fund balance (GAAP)			<u>\$ 25,958</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, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ -	-	-	-
State grants	18,000	18,000	12,577	(5,423)
Federal grants	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>18,000</u>	<u>18,000</u>	<u>12,577</u>	<u>(5,423)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	18,000	18,000	6,558	11,442
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>18,000</u>	<u>18,000</u>	<u>6,558</u>	<u>11,442</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>-</u>	<u>6,019</u>	<u>6,019</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>6,019</u>	<u>6,019</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			<u>126</u>	
Net change in fund balance (GAAP)			<u>\$ 6,145</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, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ -	-	-	-
State grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	49,328	49,328	47,572	(1,756)
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>49,328</u>	<u>49,328</u>	<u>47,572</u>	<u>(1,756)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	49,328	64,544	23,671	40,873
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>49,328</u>	<u>64,544</u>	<u>23,671</u>	<u>40,873</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>(15,216)</u>	<u>23,901</u>	<u>39,117</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>(15,216)</u>	<u>23,901</u>	<u>39,117</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			(33,883)	
Net change in fund balance (GAAP)			<u>\$ (9,982)</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, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ -	-	-	-
State grants	41,600	41,600	41,600	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>41,600</u>	<u>41,600</u>	<u>41,600</u>	<u>-</u>
Expenditures				
Current				-
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				-
Principal	29,751	29,756	29,756	-
Interest and other charges	1,229	1,229	1,229	-
Capital outlay	10,620	10,620	10,615	5
Total expenditures	<u>41,600</u>	<u>41,605</u>	<u>41,600</u>	<u>5</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>5</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>(5)</u>	<u>-</u>	<u>5</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP)			<u>\$ -</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
EMERGENCY MEDICAL SERVICE
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts	Final Budget
			(Budgetary Basis)	Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ -	-	-	-
State grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	10,247	10,226	10,226	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	10,247	10,226	10,226	-
Expenditures				
Current				
General government	-	-	-	-
Public safety	10,247	10,226	10,226	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	10,247	10,226	10,226	-
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	-	-	-	-
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ -	-	-	-
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP)			\$ -	

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, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Revenues				
Sales and miscellaneous taxes	\$ -	-	-	-
State grants	385,574	385,574	402,133	16,559
Federal grants	-	-	-	-
Charges for services	30,000	30,000	63,266	33,266
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>415,574</u>	<u>415,574</u>	<u>465,399</u>	<u>49,825</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	645,301	645,301	490,715	154,586
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>645,301</u>	<u>645,301</u>	<u>490,715</u>	<u>154,586</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(229,727)</u>	<u>(229,727)</u>	<u>(25,316)</u>	<u>204,411</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	<u>(5,147)</u>	<u>(5,147)</u>	<u>(5,147)</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,147)</u>	<u>(5,147)</u>	<u>(5,147)</u>	<u>-</u>
Net change in fund balances	<u>\$ (234,874)</u>	<u>(234,874)</u>	<u>(30,463)</u>	<u>204,411</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			13,999	
Adjustments to expenditures			<u>27,374</u>	
Net change in fund balance (GAAP)			<u>\$ 10,910</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, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ -	-	-	-
State grants	-	-	-	-
Federal grants	950,000	950,000	13,569	(936,431)
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>950,000</u>	<u>950,000</u>	<u>13,569</u>	<u>(936,431)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>950,000</u>	<u>950,000</u>	<u>14,310</u>	<u>935,690</u>
Total expenditures	<u>950,000</u>	<u>950,000</u>	<u>14,310</u>	<u>935,690</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(741)</u>	<u>(741)</u>
Other Financing Sources (Uses)				
Transfers, in	-	-	-	-
Transfers, out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>(741)</u>	<u>(741)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			<u>3,419</u>	
Net change in fund balance (GAAP)			<u>\$ 2,678</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS) (CONTINUED)
2003A GROSS RECEIPTS TAX REVENUE BOND
Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance from
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
Revenues				
Sales and miscellaneous taxes	\$ -	-	-	-
State grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	32	32	8	(24)
Miscellaneous	-	-	-	-
Total revenues	<u>32</u>	<u>32</u>	<u>8</u>	<u>(24)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Debt service				
Principal	675,000	675,000	675,000	-
Interest and other charges	177,075	177,075	175,225	1,850
Capital outlay	-	-	-	-
Total expenditures	<u>852,075</u>	<u>852,075</u>	<u>850,225</u>	<u>1,850</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources (uses)	<u>(852,043)</u>	<u>(852,043)</u>	<u>(850,217)</u>	<u>1,826</u>
Other Financing Sources (Uses)				
Transfers, in	852,075	852,075	850,233	(1,842)
Transfers, out	-	-	-	-
Total other financing sources (uses)	<u>852,075</u>	<u>852,075</u>	<u>850,233</u>	<u>(1,842)</u>
Net change in fund balances	<u>\$ 32</u>	<u>32</u>	<u>16</u>	<u>(16)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP)			<u>\$ 16</u>	

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2014

		Court Trust Fund	Central Solid Waste Authority	Central Dispatch	Municipal Court Bond	Total Agency Fund
ASSETS						
Cash and cash equivalents	\$	2,079	1,057,886	583,834	27,779	1,671,578
Due from other agencies		1,442	-	156,922	-	158,364
Total Assets	\$	3,521	1,057,886	740,756	27,779	1,829,942
LIABILITIES						
Accounts payable	\$	3,521	-	13,117	-	16,638
Accrued liabilities		-	-	26,132	-	26,132
Long-term loan payable		-	-	313,260	-	313,260
Due to other funds		-	1,057,886	388,247	27,779	1,473,912
Total Liabilities	\$	3,521	1,057,886	740,756	27,779	1,829,942

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL
Year Ended June 30, 2014**

	<u>Wells Fargo</u>	<u>U.S. Bank</u>
Deposits in Bank or Savings and Loan		
Money market	\$ -	3,836,581
Bank deposits (checking)	7,871,033	3,073,265
Repurchase deposits	-	-
Certificates of deposit	-	-
	<u>7,871,033</u>	<u>6,909,846</u>
Less: FDIC insurance	<u>250,000</u>	<u>500,000</u>
Total uninsured public funds	<u>\$ 7,621,033</u>	<u>6,409,846</u>
Collateral requirement @ 50%	3,810,517	3,204,923
Collateral requirement @ 102%	-	-
Total required collateralization	<u>3,810,517</u>	<u>3,204,923</u>
Pledges and securities		
FN AT2015 CUSIP #3138WPGZ1, 3.000%, due 4/1/2043	6,792,889	-
FN MA1306 CUSIP #31418ANY0, 3.000%, due 1/1/2043	1,304,557	-
FHLMC FGLMC G01514 CUSIP #31283HVF9, 1.11%, due 2/1/2033	-	4,542,507
FHLMC FGLMC G01554 CUSIP #31283HWP6, 1.11%, due 5/1/2033	-	156,138
FNMA POOL AE5486 CUSIP #31419GCV8, 1.06%, due 10/1/2025	-	1,000,290
FNMA POOL AE3232 CUSIP #31419DSW2, 1.06%, due 10/1/2025	-	3,587,450
FNMA POOL AE9185 CUSIP #31419LF32, 1.06%, due 11/1/2025	-	1,362,429
GNMA2 SF 15 YR CUSIP #36202FYZ3, 3.500%, due 11/20/2026	-	-
GNMA2 ARM MULTIPLE CUSIP #36179M6H8, 2.000%, due 3/20/2043	-	-
FNMA CONV SF 30 YR CUSIP #3138MAKS6, 3.000%, due 9/1/2042	-	-
FNMA CONV SF 30 YR CUSIP #3138M8J61, 3.000%, due 9/1/2042	-	-
Santa Fe Cnty NM Security 801889LV6, 4.10%, due 7/1/2023	-	-
Total pledged securities	<u>8,097,446</u>	<u>10,648,814</u>
Excess (deficiency)	<u>\$ 4,286,929</u>	<u>7,443,891</u>

Safekeeping locations for the above securities are as follows:

Wells Fargo: Bank of New York Mellon

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

Bank of the West: Bank of the West (Omaha, NE)

NM Bank & Trust: Sun Trust Bank

SECU	My Bank	Bank of Albuquerque	Bank of the West	NMEFCU	New Mexico Bank & Trust	X-press Bill Pay	Total
-	-	141,719	854,121	-	-	572,225	5,404,646
-	-	-	1,589,875	-	-	-	12,534,173
-	-	-	-	-	-	-	-
100,733	100,000	100,000	300,000	100,000	200,000	-	900,733
100,733	100,000	241,719	2,743,996	100,000	200,000	572,225	18,839,552
100,733	100,000	241,719	500,000	100,000	200,000	-	1,992,452
-	-	-	2,243,996	-	-	572,225	16,847,100
-	-	-	1,121,998	-	-	286,113	8,423,551
-	-	-	-	-	-	-	-
-	-	-	1,121,998	-	-	286,113	8,423,551
-	-	-	-	-	-	-	6,792,889
-	-	-	-	-	-	-	1,304,557
-	-	-	-	-	-	-	4,542,507
-	-	-	-	-	-	-	156,138
-	-	-	-	-	-	-	1,000,290
-	-	-	-	-	-	-	3,587,450
-	-	-	-	-	-	-	1,362,429
-	-	-	831,336	-	-	-	831,336
-	-	-	64,006	-	-	-	64,006
-	-	-	102,638	-	-	-	102,638
-	-	-	176,015	-	-	-	176,015
-	-	-	-	-	443,972	-	443,972
-	-	-	1,173,995	-	443,972	-	20,364,227
-	-	-	51,997	-	443,972	(286,113)	11,940,676

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
Year Ended June 30, 2014

	Wells Fargo	US Bank	SECU
Deposits in Bank or Savings and Loan			
Money Market	\$ -	3,836,581	-
Bank deposits (checking)	7,871,033	3,073,265	-
Repurchase deposits	-	-	-
Certificates of deposit	-	-	100,733
Total bank balance	7,871,033	6,909,846	100,733
Reconciling items			
Outstanding checks	(1,142,189)	-	-
Deposits in transit	155,199	47,041	-
Other adjustments	(41,861)	118	-
Total adjustments	(1,028,851)	47,159	-
Total book balance	6,842,182	6,957,005	100,733
Less agency fund balances included in bank balance	1,671,578	-	-
Total primary government	\$ 5,170,604	6,957,005	100,733

My Bank	Bank of Albuquerque	Bank of the West	NMEFCU	New Mexico Bank & Trust	X-press Bill Pay	Total
						-
-	141,719	854,121	-	-	572,225	5,404,646
-	-	1,589,875	-	-	-	12,534,173
-	-	-	-	-	-	-
100,000	100,000	300,000	100,000	200,000	-	900,733
100,000	241,719	2,743,996	100,000	200,000	572,225	18,839,552
-	-	-	-	-	-	(1,142,189)
-	70,854	-	-	-	30,921	304,015
-	-	42,442	-	-	-	699
-	70,854	42,442	-	-	30,921	(837,475)
100,000	312,573	2,786,438	100,000	200,000	603,146	18,002,077
-	-	-	-	-	-	1,671,578
100,000	312,573	2,786,438	100,000	200,000	603,146	16,330,499

STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2014

		Court Trust Fund	Central Solid Waste Authority	Central Dispatch	Municipal Court Bond	Total Agency Fund
Assets, July 1, 2013	\$	2,249	866,654	608,487	28,502	1,505,892
Increase		24,104	321,554	944,732	-	1,290,390
Decrease		(22,832)	(130,322)	(812,463)	(723)	(966,340)
Assets, June 30, 2014	\$	3,521	1,057,886	740,756	27,779	1,829,942
Liabilities, July 1, 2013	\$	2,249	866,654	608,487	28,502	1,505,892
Increase		24,104	321,554	944,732	-	1,290,390
Decrease		(22,832)	(130,322)	(812,463)	(723)	(966,340)
Liabilities, June 30, 2014	\$	3,521	1,057,886	740,756	27,779	1,829,942

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF JOINT POWERS AGREEMENTS
June 30, 2014**

Agreement	The City Participates with	Party Responsible for Operation	Description	Period	Cost to City	City Contributions	Audit Responsibility
Rio Metro Regional Transit Agency	Mid-Region Council of Governments	Rio Metro Regional Transit District	Operation and management of Village transit services	July 1, 2013 June 30, 2014	Maximum of \$238,225	Unknown	Village of Los Lunas
Board of Education of the Los Lunas Schools	Los Lunas Schools	Los Lunas Schools	Cost sharing agreement for the Los Lunas swimming pool located at the Los Lunas High School	January 1, 2014 through December 31, 2014	Maximum of \$35,000	Unknown	Los Lunas Schools

**INDEPENDENT AUDITOR'S 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**

To the 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, and the aggregate remaining fund information, the budgetary comparisons of the general fund and the major special revenue fund of the Village of Los Lunas, New Mexico ("Village"), as of and for the year ended June 30, 2014, 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 26, 2014.

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 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-001 and 2013-002.

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 responses. The Village's responses were not 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 results 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.

A handwritten signature in blue ink that reads "Axiom".

Albuquerque, New Mexico
November 26, 2014

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014**

FINANCIAL STATEMENT FINDINGS

None

COMMENTS INCLUDED IN ACCORDANCE WITH NEW MEXICO STATE AUDITOR RULE

2014-001 Public Monies and Pledged Collateral (Non-Compliance Other Matters)

CONDITION

During our testing of public monies in accordance with the 2014 New Mexico State Audit Rule, it was identified that the Village had approximately \$570,000 in cash held with a third party vendor who is located outside of New Mexico. Further testing identified that the third party was not considered to be a financial institution covered under the Federal Deposit Insurance Corporation and no securities were pledged by the third party as collateral on the cash held by the Village with the third party.

CRITERIA

Section 6-10-10(A) NMSA 1978 requires that municipalities who have on hand any public money shall make deposit of that money in banks and savings and loan associations or may make deposit of that money in credit unions whose deposits are insured by an agency of the United States. Section 6-10-10(B) NMSA 1978 further stipulates that municipalities may deposit money in one or more accounts with any such bank, saving and loan association or credit union located in their respective counties. Finally, section 6-10-17 NMSA 1978 requires that any bank or savings and loan association designated as a depository of public money shall deliver securities that have an aggregate value equal to one-half the amount of public money to a custodial bank.

EFFECT

Holding public monies in a third party account that is not considered to be a bank, savings and loan association or credit union as well as holding public monies in a third party account who does not pledge collateral on behalf of the Village with a custodial bank indicates non-compliance with state regulation as well as increases the Villages exposure for loss of the public monies.

CAUSE

The Village was unable to transfer the cash from the third party vendor to a financial institution within their respective county in a timely manner causing an increase in the balance on hand with the third party at June 30, 2014.

RECOMMENDATION

It is recommended that the Village implement a procedure which requires routine transfers of the cash from the third party to the Villages deposit accounts held within Valencia County. It is recommended that the Village transfer these monies on a recurring basis.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014**

**D. COMMENTS INCLUDED IN ACCORDANCE WITH NEW MEXICO STATE AUDITOR
RULE (CONTINUED)**

2014-001 Public Monies and Pledged Collateral (Non-Compliance Other Matters) - Continued

MANAGEMENT RESPONSE

Management agrees with auditor's recommendation regarding the transfer of funds in a timely manner from Xpress Bill Pay, the Village's third party on-line payment processor, to a local approved depository for the collected funds. The transfer will be processed weekly with both the Finance Officer and Village Administrator signing off on the completion of the transfer.

2013-002 [2013-02] PERA Compliance (Non-Compliance Other Matters) - Revised and Repeated

CONDITION

During our audit of compliance with the New Mexico Office of the State Auditor Rule 2.2.2.10G(7) NMAC, it was noted contribution percentages remitted to PERA did not comply with statutory contribution requirements on 15 of the 25 pay periods tested.

CRITERIA

Sections 10-11-1 to 10-11-141 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 which is an ongoing process which they are still refining in order to correctly calculate contribution percentage requirements.

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 and Payroll Department has and will continue to work with PERA to resolve the inaccuracies in the financial software code to make certain that base salary wages are reported correctly to PERA. In addition all employer and employee contributions will be calculated in accordance with the statutory contribution percentages as required by PERA.

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2014**

STATUS OF PRIOR YEAR FINDINGS

<u>Description</u>	<u>Status</u>
2013-01 Cash Disbursements	Resolved
2013-02 PERA Compliance	Revised and Repeated
2013-03 Late Submission of Data Collection Form	Resolved
2010-06 Section 8 Submission of REAC and SEMAP	Resolved
2012-05 Expenditures in Excess of Budget	Resolved

**STATE OF NEW MEXICO
VILLAGE OF LOS LUNAS EXIT CONFERENCE
Year Ended June 30, 2014**

The contents of this report were discussed in the exit conference held on November 26, 2014, with the following in attendance:

Representing the Village of Los Lunas:

Charles Griego	Mayor
Gregory Martin	Village Administrator
Monica Clarke	Finance Officer

Representing Axiom:

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